

APTECH LIMITED

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ITS DEALING

The Board of Directors (“the Board”) of APTECH LIMITED (“the Company”) has reviewed and adopted the following policy and procedures with regard to Related Party Transactions (“RPTs”). The Board will review this policy once every three years.

With a view to ensure that the Related Party Transactions are in the best interest of the Company and its Stakeholders, the Board of the Company has adopted this amended Policy on materiality of Related Party Transactions and Dealing with Related Party Transactions (the “Policy”) upon recommendation of the Audit Committee.

1. PURPOSE

This policy is reviewed as per requirement of Section 188 of the Companies Act, 2013 (the “Act”) and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 (“LODR Regulations”) and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose details of all material transactions with related parties on quarterly basis along with the compliance report on corporate governance. The Company shall maintain a separate register giving particulars of related party transactions as may be prescribed. The Company shall also disclose the policy on dealing with related party transactions on its website and a web link thereto shall be provided in the Annual Report.

2. DEFINITIONS

“Applicable Laws” means the Act and corresponding rules prescribed thereunder, the Listing Regulations and includes any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.

“Audit Committee” or “Committee” means a committee constituted pursuant to provisions of Regulation 18 of the Listing Regulations and Section 177 the Act

Arm’s length transaction means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest as expressed under Section 188 of the Act.

“Board of Directors” or “Board” in relation to the Company, means the collective body of the directors of the Company. **Key Managerial Personnel** means key managerial personnel as defined under Section 2(51) of the Companies Act, 2013 and includes

- (i) Managing Director, or Chief Executive Officer or Manager
- (ii) Whole- time director;
- (iii) Company Secretary;
- (iv) Chief Financial Officer
- (v) Such other officer, not more than one level below the directors who is in whole-time employment, designated as Key Managerial Personnel by the Board

[Insertion of the new proviso to regulation 6(1):

“Provided that the Compliance Officer shall be an officer, who is in whole time employment of the listed entity, not more than one level below the board of directors and shall be designated as a Key Managerial Personnel”]

Material Related Party Transaction as defined under LODR Regulations means a transaction with a related party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“Office or place of profit” - means any office or place (i) where such office or place is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise; (ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

Related Party means related party as defined in **SEBI LODR Regulations, 2015** means a related party as defined under Section 2(76) of the Companies Act, 2013 including all amendments and modifications thereof from time to time OR; under the applicable accounting standards.

The following parties shall be deemed as related party:-

1. any person or entity forming a part of the promoter or promoter group of the listed entity; or
2. any person or any entity holding equity shares:
 - a) of 20% or more ; or b) of 10% or more, w.e.f. 1st April 2023 in the listed company either directly or through its beneficiaries as mentioned under Section 89 of the Companies Act 2013 at any time during the immediate preceding Financial Year.

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

Related Party under Section 2(76) of the Companies Act, 2013 read with Companies (Specification of Definitions Details) Rules, 2014 shall mean and include:

- (i) a Director or his Relative;
- (ii) a Key Managerial Personnel or his Relative;
- (iii) a Firm, in which a director, manager or his relative is a partner;
- (iv) a Private Company in which a director or manager or his relative is a member or director;
- (v) a Public Company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- (vi) any Body Corporate whose Board of directors, managing director, or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) any Body Corporate which is –
 - (A) a holding, subsidiary or an associate company of such company; or
 - (B) a subsidiary of a holding company to which it is also a subsidiary;
 - (C) an investing company or the venturer of the company

Explanation: for the purpose of this clause, the investing company or the venture of the company means a body corporate whose investment in the company would result in the company becoming as associate company of the body corporate

- (ix) a director other than an Independent Director or Key Managerial Personnel of the holding company or his relative with reference to a company
- (x) Such other person as may be prescribed

Related Party Transaction as defined in SEBI LODR Regulations, 2015 means a transfer of resources, services or obligations between

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, with effect from April 1, 2023;

regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract:

Provided that the following shall not be a related party transaction:

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - (i) payment of dividend;
 - (ii) subdivision or consolidation of securities;
 - (iii) issuance of securities by way of a rights issue or a bonus issue; and
 - (iv) buy-back of securities.
- (c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:
- (d) acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time:

Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon.

- (e) retail purchases from any listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/ offered to all employees and directors:

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

Related Party Transactions defined under Section 188 are as follows:

- a) Sale, purchase or supply of any goods or materials
- b) Selling or otherwise disposing of, or buying, property of any kind
- c) Leasing of property of any kind
- d) Availing or rendering of any services
- e) Appointment of any agent for purchase or sale of goods, materials, services or property
- f) Appointment of related party to any office or place of profit in the company, its subsidiary company or associate company and
- g) Underwriting the subscription of any securities or derivatives thereof, of the company.

Relative means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –

- i. They are members of a Hindu undivided family;
- ii. They are husband and wife; or
- iii. Father (including step-father)
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son's wife
- vii. Daughter
- viii. Daughter's husband

- ix. Brother (including step-brother)
- x. Sister (including step-sister)

3. POLICY

All Related Party Transactions and subsequent material modifications must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company and its subsidiaries subject to following conditions: Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

Provided further that:

- a) the Audit Committee of a listed entity shall define “material modifications” and disclose it as part of the policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions;
- b) a related party transaction to which the Subsidiary of a Listed Entity is a party but the listed entity is not a party, shall require prior approval of the Audit Committee of the Listed Entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the listed entity;
- c) with effect from April 1, 2023, a Related Party Transaction to which the Subsidiary of a Listed Entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;
- d) prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (d) above, the prior approval of the audit committee of the listed subsidiary shall suffice.

- e) remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of sub-regulation (1) of this regulation.
- f) The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:
 - i. the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
 - ii. the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation;
 - iii. rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
 - iv. the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation;
 - v. any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

- a) The Audit Committee shall lay down the criteria for granting the Omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b) The Audit Committee shall satisfy itself the need for such Omnibus approval and that such approval is in the interest of the Company.
- c) Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit,
Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such Transactions subject to their value not exceeding Rs. 1 crore per transaction.
- d) The Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company or its subsidiary pursuant to each of the omnibus approval given.
- e) Such Omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

3.1 Identification of Potential Related Party Transactions

Each Director and Key Managerial Personnel is responsible for providing notice to the Board and Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

3.2 Prior approvals for entering into Related Party Transactions Requirement under LODR Regulations

- All Related Party Transactions shall require prior approval of Audit Committee.
- All Material Related Party Transactions and subsequent material modifications as defined by the audit committee shall require approval of the shareholders through Ordinary Resolution and no Related Party shall vote to approve such resolutions irrespective of whether they are parties to the particular transactions or not.

Provided that prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

Provided further that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

This provisions shall not be applicable in the following cases:

- (a) transactions entered into between two public sectors Companies;
- (b) transactions entered into between a Holding Company and its Wholly-owned Subsidiary whose accounts are consolidated with such Holding Company and placed before the shareholders at the General Meeting for approval.
- (c) transactions entered into between two Wholly-owned Subsidiaries of the Listed holding company, whose accounts are consolidated with such Holding Company and placed before the shareholders at the General Meeting for approval.
- (d) Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand.
- (e) Transactions entered into between a public sector company on one hand and the Central Government or any State Government or any contribution thereof on the other hand.

Requirement under Section 188

- All Related Party Transactions shall require consent of the Board.
- Prior approval of the shareholders vide Ordinary Resolution shall be necessary in respect of the following transactions and no member of the company shall vote on such resolution to approve any contract or arrangement which may be entered into by the company if such member is a related party:
 - a) Sale, purchase or supply of any goods or materials, amounting to 10 per cent or more of the turnover of the company;
 - b) Selling or otherwise disposing of or buying property of any kind, amounting to 10 per cent or more of net worth of the company;
 - c) Leasing of property of any kind amounting to 10 per cent or more of turnover of the company;
 - d) Availing or rendering of any services, directly or through appointment of agent amounting to 10 per cent or more of the turnover of the company;
 - e) Appointment of related party to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding Rs. 2.50 lacs;
 - f) Remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding 1 percent of the net worth;

Explanations

- Where any director is interested in any contract or arrangement with a related party, such director shall not be present in the Meeting during the discussion on the subject matter of the resolution relating to such contract or arrangement.
- The limits specified in (a) to (d) above shall apply for transaction(s) to be entered into either individually or taken together with previous transaction during a financial year
- The turnover or net worth referred in the above shall be computed on the basis of the audited Financial Statement of the preceding Financial Year.

In case of Wholly-owned Subsidiary, the resolution is passed by the holding company shall be sufficient for the purpose of entering into the transaction between the Wholly-owned Subsidiary and the Holding Company.

3.3 Review of Related Party Transactions

All Related Party Transactions including their subsequent modifications will be referred to the Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- (i) Whether the terms of the Related Party Transaction are fair and on arms-length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- (ii) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- (iii) Whether the Related Party Transaction would affect the independence of an independent director;
- (iv) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and
- (v) Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter then the Board may review and approve the same as may be necessary or appropriate under the circumstances.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

- a) Transactions entered into in the ordinary course of business and are arms-length transactions.
- b) Any transaction that involves providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including reimbursement of business and travel expenses incurred in the ordinary course of business.
- c) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
- d) Transactions arising out of compromise, arrangements and amalgamations.

4. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to or after its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction.

This Policy will be communicated to all Directors, functional heads and other concerned persons of the Company.

5. AMENDMENT IN LAWS

Any subsequent amendment / modification in SEBI Act, rules, regulations and all other applicable laws/circulars/notifications/etc. in this regard shall automatically apply to this policy.

6. DISCLOSURE

This policy is available on the Company's website on the link: www.aptech-worldwide.com