

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

POLICY TITLE:

This Policy shall be called 'Policy on materiality of and dealing with Related Party Transaction'.

INTRODUCTION:

eMudhra Limited (hereinafter referred to as eMudhra or the Company) recognizes that Related Party Transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company and its shareholders' best interests and in compliance to the provisions of the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This Policy is to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company and also provides for materiality of related party transactions.

This Policy is framed based on SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and primarily intended to ensure the governance and reporting of transactions between the Company and its Related Parties.

The Policy has been approved by the Board of Directors on October 14, 2021.

DEFINITIONS

"Act" means the Companies Act, 2013.

"Regulation 23" means the Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

"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.

"Material Related Party" will have the same meaning as defined in Regulation 23. A transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company. 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 five

percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

“Relative” will have the same meaning as defined under Section 2(77) of the Act and includes anyone who is related in any of the following manner: a. Members of a Hindu undivided family; b. Husband or wife; c. Father (including step-father); d. Mother (including step-mother); e. Son (including step-son); f. Son’s wife; g. Daughter; h. Daughter’s husband; i. Brother (including step-brother); or j. Sister (including step-sister).

“Related Party” shall have the same meaning as defined under Section 2(76) of the Act and/or Regulation 23.

Related Party under Section 2(76) of the Companies Act, 2013, and the rules made thereunder are as follows:

- (i) A Director or his relative
- (ii) A key managerial personnel or his relative
- (iii) A firm, in which a director, a 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 and manager is a director and holds along with his relatives, more than two percent 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 or
 - c) An investing company or the venturer of the company Explanation.—For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.]

- (ix) Such other person as may be prescribed by Central Government.

Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party. “**Related Party Transaction**” means a transfer of resources, services or obligations between a listed entity and a related party, 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.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Securities Contract (Regulation) Act, 1956 or any other applicable regulation, as amended.

AUDIT COMMITTEE

Subject to provisions of Regulation 23, all Related Party Transactions must be reported to the Audit Committee for its approval in accordance with this Policy. However, the Audit Committee may in accordance with the provisions of law may grant omnibus approval for any related party transaction as it deems fit, which are repetitive in nature and are in the ordinary course of business and satisfy the Arm’s Length basis, subject to the compliance of conditions contained in the Regulation 23.

Identification of Potential Related Party Transactions

To review the related party transactions, the Audit Committee shall be provided with necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions and / or prescribed under the Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

Review and Approval of Related Party Transactions

Any member of the Audit Committee who has a potential conflict of interest in any Related Party Transaction shall not vote to approve the relevant transaction .

While considering any Related Party Transaction, the Audit Committee shall take into account all relevant facts and circumstances, including the terms and business purpose of such transaction, the benefits to the Company and the related party, whether such transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed transaction and any other relevant matters.

Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company.

BOARD OF DIRECTORS

If the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such matter or it is mandatory for any law to approve the Related Party Transaction, then the Board shall consider and approve the related party transactions and the considerations aforesaid shall apply to the review and approval of the matter by the Board of Directors, with such modifications, as may be necessary and appropriate under the circumstances.

DECISION REGARDING TRANSACTION IN 'ORDINARY COURSE OF BUSINESS' AND ON 'ARM'S LENGTH BASIS'

The Audit Committee or the Board shall, in respect of the related party transactions referred to them for approval, after considering the materials placed before them, judge if the transaction is in the ordinary course of business or at arm's length basis. In case the Audit Committee is not able to arrive at such a decision, the same shall be referred to the Board, which shall decide whether the transaction is in the ordinary course of business or at arm's length basis or not. In case the Board is not able to arrive at such a decision, the same shall be decided by the Independent Directors, whose decision shall be final.

TRANSACTIONS REQUIRING SHAREHOLDERS APPROVAL

All the Material Related Party Transactions shall require approval of the shareholders through resolution and the related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

All the transactions other than the Material Related Party Transactions, with the related parties which are not in the ordinary course of business or at arm's length basis shall require the approval of the shareholders through appropriate resolution, (special resolution or ordinary resolution, as may be required under any law, in force from time to time) and the related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

RELATED PARTY TRANSACTIONS NOT COVERED UNDER THIS POLICY

In the event the Company becomes aware of a Transaction with a Related Party, which is regulated under Regulation 23 or which is not on Arm's length basis or not in the ordinary course of business, that has not been approved or is not in accordance with the delegation approved under this Policy, the matter shall be reviewed by the Audit Committee. The Committee shall consider all of the 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. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the

shareholders, payment of compensation for the loss suffered by the company due to the concerned related party transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

TRANSACTIONS COVERED UNDER THIS POLICY

The related party transactions which are not covered by the provisions of the Companies Act, 2013 and/or Regulation 23, if any, will not be governed by this Policy.

DISCLOSURES

Details of any material related party transactions shall be disclosed to the stock exchange quarterly, along with the compliance report on corporate governance. The Company shall disclose the Policy on its website and web-link shall be provided in the annual report.

The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

AMENDMENT IN LAW

Any subsequent amendment / modification in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and / or applicable laws in this regard shall automatically apply to this Policy.
