



A. K. Capital Services Limited

Policy on Materiality and Dealing with Related Party Transactions

Version 1 of 2022

Approved by Audit Committee and Board of Directors on February 5, 2022

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1. Background

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the rules framed thereunder and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”), A. K. Capital Services Limited (“AKCSL” or “the Company”) is required to formulate a Policy for identification of related parties and the proper conduct and documentation of all related party transactions.

Further, Regulation 23(1) of the SEBI Listing Regulations requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In light of the above, AKCSL has framed this Policy on Materiality and Dealing with Related Party Transactions (“Policy”) to ensure high standards of Corporate Governance while dealing with Related Parties.

2. Objective of the Policy

The objective of this Policy is to set out:

- (a) the materiality thresholds for related party transactions;
- (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company;
- (c) criteria for granting omnibus approval and
- (d) lay down the guiding principles and mechanism to ensure proper approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties in the best interest of the Company and its stakeholders.

3. Definitions

All terms used in this Policy will have the meanings as assigned to them under the Act and the rules made thereunder, SEBI Listing Regulations and applicable accounting standards, as amended from time to time.

4. Materiality Thresholds

Regulation 23 of the SEBI Listing Regulations requires the Company to lay down materiality thresholds for transactions beyond which approval of the shareholders through a resolution will be required.

AKCSL has fixed its materiality thresholds at the level prescribed under explanation to Regulation 23(1) of the SEBI Listing Regulations as under:

- a. In case of Transaction involving payments made to a Related Party with respect to brand usage or royalty, if the Transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 5 percent (5%) of the annual consolidated turnover of the Company as per its last audited financial statements.
- b. In case of any other Transaction, if the amount of the Transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds (INR 1,000 crore or 10% of the annual consolidated turnover of the Company as per its last audited financial statements, (whichever is lower).

5. Material Modification

Material Modification means any modification or amendment to the related party agreement / transaction which is likely to result in a 20% upward or downward revision in the original contractual value of the related party agreement / transaction approved by the Audit Committee.

6. Manner of Dealing with Related Party Transactions

a. Identification of Related Parties

The Company has formulated a Framework for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the rules framed there under and Regulation 2(1)(zb) of the SEBI Listing Regulations and applicable accounting standards, as amended from time to time.

b. Identification of Related Party Transactions

All Related Party Transactions requiring approvals and/or reporting shall be identified by the Company on a continuous basis. Related Party Transactions identified by the Company shall be reported to the Audit Committee of the Company at frequent intervals as may be decided by the Committee from time to time.

7. Approval requirements for Related Party Transactions

I. Audit Committee

- a. Every Related Party Transaction and subsequent Material Modifications shall be subject to the prior approval of the Audit Committee. Members of the audit committee, who are independent directors, shall only approve related party transactions.

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- b. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to compliance of the conditions contained in the Act and SEBI Listing Regulations as amended from time to time. The audit committee shall also review the status of long-term or recurring RPTs on an annual basis.
 - c. Prior approval of the Audit committee shall be required for all RPTs and subsequent Material Modifications, RPTs where Company's subsidiary is a party but Company is not a party, if the value of such transaction, whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the consolidated turnover of the Company, as per the last audited financial statements of the Company and with effect from April 1, 2023, a related party transaction to which the Company's subsidiary is a party but the Company is not a party, 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 such subsidiary.

Provided that prior approval of the audit committee of the Company shall not be required for RPTs where a listed subsidiary of the Company is a party but the Company is not a party, if Regulation 23 and 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.

Provided further that in case of listed subsidiary of the Company faces a situation where resolution for approval of Related Party Transaction cannot be approved in the General Meeting due to lack of uninterested quorum or otherwise, by the shareholders of listed subsidiary, the Company may approve such RPTs in Audit, Board and Shareholders Meeting in compliance with applicable laws for the time being in force.

The Committee shall also satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.

If any additional Related Party Transaction is to be entered by the Company post omnibus approval granted by the Audit Committee, then the Company shall present such transaction before the Audit Committee in its next meeting for its prior approval.

- d. The Audit Committee shall also review the statement of significant related party transactions submitted by management as per its terms of reference.
- e. Any member of the Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party Transaction.
- f. To review a Related Party Transaction, the Committee shall be provided with the necessary information [(as prescribed under the Companies Act, 2013 and/or the SEBI Listing Regulations, from time to time)], to the extent relevant, with respect to actual or potential Related Party Transactions.

- g. The Audit Committee shall recommend the Related Party Transactions for approval of Board of Directors / Shareholders as per terms of this Policy.

II. Approval of the Board and the Shareholders

- a. As required under the provisions of Section 188 of the Act, all transactions specified under the said section and which are not in the ordinary course of business or not at the arm's length price shall require prior approval of the Board of Directors of the Company. Where any director is interested in any Related Party Transaction, such director will abstain from discussion and voting on the subject matter of the resolution relating to such Transaction.
- b. Further, all related party transactions which are not in the ordinary course of business or not at the arm's length price **and** are exceeding threshold limits prescribed in the Act shall also require prior approval of shareholders of the Company by way of Ordinary Resolution and all entities falling under the definition of Related Parties shall not vote to approve the relevant transaction, irrespective of whether the entity is a party to the particular transaction or not.

Further, the information as prescribed under the Companies Act, 2013 and/or the SEBI Listing Regulations, from time to time shall be provided in the Notice to the shareholders for consideration of RPTs.

- c. All the Material Related Party Transactions and subsequent Material Modifications shall require prior approval of the Board and shareholders through Ordinary Resolution and no Related Party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Provided that prior approval of shareholders of the Company shall not be required for RPTs where listed subsidiary is a party but the Company is not a party, if Regulation 23 and 15 (2) of SEBI Listing Regulations are applicable to such listed subsidiary.

Provided that the aforesaid requirements 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.

Provided that the Material Related Transactions entered into by the Company with its wholly owned subsidiary(ies) whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval shall not require approval of the shareholders.

Provided that the provisions pertaining to –

- i. Prior approval of the Audit Committee for all RPTs;
- ii. Omnibus approval for RPTs; and

- iii. Prior approval of shareholders for Material Related Party Transactions and subsequent Material Modifications

shall not be applicable when the transactions are entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

8. Disclosures & Reporting Requirements

- a. Every Related Party Transaction with proper justification shall be disclosed in the Directors Report.
- b. Material RPTs shall be provided in the notice to shareholders.
- c. Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- d. The Company shall submit disclosure of information related to RPTs to be provided to the stock exchanges every six months in the format specified by the SEBI within the prescribed timelines.
- e. The Company shall disclose policy on dealing with Related Party Transactions on its website and also in the Annual Report.

9. Scope/ Limitation

In the event of any conflict between the provisions of this Policy and SEBI Listing Regulations / Act or any other statutory enactments, rules, the provisions of such SEBI Listing Regulations / Act or statutory enactments, rules shall prevail over this Policy.

10. Policy Review

This policy is framed based on the provisions of the Act and rules thereunder and the requirements of the SEBI Listing Regulations.

In case of any subsequent changes in the provisions of the 2013 and SEBI Listing Regulations or any other regulations ("the Regulations") which makes any of the provisions in the policy inconsistent with the Regulations, the provisions of the Regulations would prevail over the Policy and the provisions in the policy would be modified in due course to make it consistent with the Regulations. The Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the policy due to change in the Regulations or as may be felt appropriate by the Committee. Any changes or modification on the Policy as recommended by the Committee would be presented for approval of the Board of Directors. Provided that this Policy shall be reviewed by the board of directors at least once every three years and updated accordingly.
