



# REDINGTON LIMITED

## **POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS**

Policy approved by : Board of Directors of Redington Limited

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## **INDEX OF CONTENTS**

<b>Section</b>	<b>Particulars</b>	<b>Page No.</b>
I	Objective of the Policy	3
II	Definitions	3
III	Review & Approval by the Audit Committee	5
IV	Review & Approval by the Board of Directors	9
V	Approval of the Shareholders	9
VI	Disclosure by the Company	10
VII	Approval for Unforeseen Related Party Transactions	10
VIII	Related Party Transactions not approved under this Policy	10
IX	Policy Review	11

## I. OBJECTIVE OF THE POLICY:

This Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions ("**the Policy**" or "**this Policy**") is framed by Redington) Limited ("**the Company**" or "**RL**"), pursuant to the provisions of Regulation 23 and other applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**the Listing Regulations**") and in terms of Section 188 and other applicable provisions of the Companies Act, 2013 and the Rules framed thereunder ("**the Companies Act**"), including any modification(s) / amendment(s) / re-enactment(s) thereof.

The Board of Directors of RL has adopted this Policy to set forth the procedures by which transactions with Related Parties shall be reviewed for approval or ratification. The Policy is intended to ensure proper approval, disclosure and reporting of transactions between RL and its Related Parties and its Subsidiary Companies and their Related Parties, wherever applicable. Any Related Party Transaction may be entered into by the Company in accordance with the provisions of this Policy.

## II. DEFINITIONS:

**"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. In this regard, the following guidelines can be used for determining the arms' length basis:

- whether the terms of the transaction are fair and would apply on the same basis if the transaction did not involve a Related Party;
- whether there are any compelling business reasons to enter into the transaction and the nature of alternative transactions, if any;
- whether the transaction would affect the independence of an independent director.
- whether the transaction poses any consequential potential reputational risk issues;
- whether the transaction would present an improper conflict of interest for any director or KMP, taking into account the size of the transaction, the overall financial position of the director/KMP or other Related Party, the direct or indirect nature of the directors', KMPs', or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship.

For determining the arms' length pricing, the Transfer Pricing guidelines issued by the relevant authorities under the provisions of Income-Tax Act 1961 may be used to determine this criterion on a case-to-case basis.

The CFO shall provide quarterly certification and confirmation to the Audit Committee on the compliance of this Policy of all Related Party Transactions.

**“Audit Committee”** or **“Committee”** means Committee of Board of Directors of the Company constituted under provisions of Section 177 of Companies Act, 2013 and as per Regulation 18 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**“Board”** means the Board of Directors of the Company.

**“Material Modification”** shall mean an amendment to the terms of a transaction / agreement / commitment with / to a Related Party, the effect of which, will be an increase over the approved limit for a transaction by an amount more than Rs.5 (Five) Crore in a financial year or 10% (Ten Percentage per cent) of the approved limit, whichever is higher.

Provided that material modifications shall be deemed to include the following, without application of the above criteria:

- a) In case of a loan or deposit or any other means of funding, any deviation in the objects or purposes for which the loan or deposit was given or funding was made or received;
- b) In case of any other transaction or agreement, any amendment which will have an effect of:
  - I. deferring the consummation of such transaction or agreement by a period beyond one year from the existing approved term / period; or
  - II. renewing or extending the term of the transaction or agreement for a period exceeding one year of its existing approved term / period.

Provided further that any modification to the transactions / agreements entered into:

- a) for sale, purchase or supply of any goods or materials or availing or rendering of any services in the ordinary course of business and on arm's length basis;
  - b) between the Company and its wholly owned subsidiary;
  - c) transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the annual general meeting for approval,
- shall be excluded from the applicability of above definition.

**“Material Related Party Transaction”** means any transaction as defined under Companies Act, 2013 and Listing Regulations, as may be amended from time to time.

**“Related Party”** means Party as defined in clause (zb) of sub-regulation (1) of Regulation 2 of the Listing Regulations as amended from time to time.

**“Related Party Transaction”** means transaction as defined in clause (zc) of sub-regulation (1) of Regulation 2 of the Listing Regulations as amended from time to time.

**“Relative”** means relative as defined under sub-section (77) of Section 2 of the Companies Act, 2013 and rules prescribed thereunder.

**“Transactions in the ordinary course of business”** mean all transactions or activities that are necessary, normal and incidental to the business of the Company shall be deemed to be in the ordinary course of business. These may also be common practices and customs of commercial transactions.

Examples of transactions that the Company would consider to be in the ordinary course of business would include but not limited to

- a. Whether the activity is covered in the objects clause of the Memorandum of Association.
- b. The Company had entered into such transactions over the years in the past
- c. Whether the activity is in furtherance of the business.
- d. Whether the activity is normal or otherwise routine for the particular business (i.e. activities like advertising, staff training, etc.).
- e. Whether the activity is repetitive/frequent.
- f. Whether the income, if any, earned from such activity/transaction is treated as business income in the company's books of account.
- g. Whether the transactions are common in the particular industry.
- h. Whether there is any historical practice to conduct such activities.
- i. The financial scale of the activity with regard to the operations of the business.

Transactions in the ordinary course of business shall cover the businesses of RL and its subsidiaries and would include activities to be carried out incidental to or to facilitate the business of RL and its subsidiaries.

Any other terms and expressions used but not defined herein, shall have the same meaning as defined in the Companies Act, the Listing Regulations, and / or the rules and regulations made thereunder.

### **III. REVIEW AND APPROVAL BY THE AUDIT COMMITTEE:**

- i. All Related Party Transactions and subsequent Material Modifications shall be subject to prior approval of the Audit Committee of the Company whether at a meeting or by a resolution by circulation or by a specific subcommittee formed for this purpose or by any other manner as provided by the Companies Act or the rules and regulations made thereunder except remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, provided that the same is not material in terms of the provisions of the listing regulations.

Provided that only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions.

- ii. The audit committee shall consider all relevant factors while deliberating the Related

- Party Transactions for its approval.
- iii. In assessing a Related Party Transaction, the Company and the Audit Committee shall consider such factors as it deems appropriate, including without limitation-
- the business reasons for the Company to enter into the Related Party Transaction;
  - the commercial reasonableness of the terms of the Related Party Transaction;
  - the materiality of the Related Party Transaction to the Company or its Subsidiaries;
  - whether the terms of the Related Party Transaction are fair to the Company or its Subsidiaries and on the same basis as would apply if the transaction did not involve a Related Party;
  - the extent of the Related Party's interest in the Related Party Transaction;
  - abuse of position on account of conflict of interest and non-arm's length dealings which are beneficial to the Related Party but detrimental to the other stakeholders.
  - Whether the related party transaction is in the ordinary course of business without compelling business reasons / rationale for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
  - Whether the Committee was notified about the Related Party Transaction before its commencement and if not, why prior approval was not sought and whether subsequent ratification is allowed and would be detrimental to the interests of the Company.
- iv. After reviewing such information and being satisfied that there is a need for such approval, the members of the Audit Committee (without the participation of the Committee member(s) interested in the transaction, if any) shall approve or disapprove such transactions.
- v. The Company shall put in place an appropriate monitoring mechanism to track all the transactions with Related Parties which may inter alia include the following:
- The Company shall maintain an up to date database of Related Parties including their PAN or any other unique identity number, if available other than wholly owned subsidiaries (WOS) & step down WOS
  - The Company shall put in place a process to assess all the potential transactions with Related Parties ahead of the transactions and seek necessary approvals from the Audit Committee/ Board/shareholders as the case may be.
  - The Chief Financial Officer (CFO) of the Company will determine and assess whether the transaction/s constitute a Related Party Transaction and seek necessary approvals prior to the transactions.
  - Such transactions shall be flagged for further evaluation/ monitoring and compliance of this Policy.
- vi. Omnibus approval for transactions shall be given only if it is determined by the Committee that such transactions are:

- a. repetitive in nature and that such approval is in (or not inconsistent with) the best interests of the Company and its shareholders;
- b. in the ordinary course of business.
- c. The Audit Committee may, in the best interests of the Company and to ensure smooth operations, grant omnibus approval for Related Party Transactions, proposed to be entered into by the Company which are routine and repetitive in nature and incidental to the general operations of the Company, subject to such criteria/conditions as it may deem fit, further taking into account the justification for needing an omnibus approval.
- d. Such approval shall specify the details as required under the Companies Act, SEBI LODR Regulations or any notifications / circulars issued thereunder, as amended from time to time.
- e. The Audit Committee may specify any additional conditions for such determination, as it may deem fit.
- f. The Audit Committee may also grant omnibus approval, without the above details, for unforeseen transaction subject to a value not exceeding Rs.1 crore per transaction

The Audit Committee, while granting any such omnibus approvals, shall specify the following:

- (i) name of the Related Party;
- (ii) nature of transaction;
- (iii) period of transaction;
- (iv) maximum amount of transaction that can be entered into, and
- (v) indicative base price / current contracted price and the formula for variation in the price if any.

The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company, pursuant to each of the omnibus approvals given and such approvals shall be valid for a period not exceeding 1 (one) financial year and shall require fresh approvals after the expiry of such financial year.

Omnibus approval shall not be made for the transactions in respect of selling or disposing off the undertaking of the Company.

- vii. Optionally, the Company may provide the following information, for review of the Audit Committee for approval of a proposed Related Party Transaction, other than the transactions for omnibus approval:
  - a) Type, material terms and particulars of the proposed transaction;
  - b) Name of the Related Party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
  - c) Tenure of the proposed transaction (particular tenure shall be specified);
  - d) Value of the proposed transaction;
  - e) If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary;
  - f) details of the source of funds in connection with the proposed transaction;
  - g) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,

- nature of indebtedness;
  - cost of funds; and
  - tenure;
- h) applicable material terms like covenants, tenure, interest rate and repayment schedule, whether secured or unsecured, if secured, the nature of security etc. and the purpose for which the funds will be utilized
- i) Justification as to why the RPT is in the interest of the listed entity;
- j) A copy of the valuation or other external party report, if any such report has been relied upon;
- k) Any other information that may be relevant.

The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

- viii. No member of the Audit Committee shall participate in the review, consideration or approval of any Related Party Transaction with respect to which such member or any of his or her relatives is a Related Party.
- ix. If any change in material information with respect to such transactions subsequent to the Committee's review of such transactions, management shall provide the Committee with updated information at a subsequent meeting and will get the changes approved afresh by the Committee.
- x. If any additional Related Party Transactions, which is not already approved and which is not more than the approval limit, are proposed to be entered into subsequent to the Committee's first meeting in the calendar year, the management shall present such transactions to the Committee for approval before entering into such transaction (which can be taken by calling a meeting or by resolution passed through circulation, if permitted).
- All the Directors and KMP's are required to declare and disclose their concerns or interests in any company(ies) or body(ies) corporate or firm(s) at the first Board meeting in every financial year and subsequently whenever there is any change therein. Every Subsidiary of the Company shall provide its list of Related Parties and changes therein to the Company
- xi. Related Party Transaction to which the subsidiary of a Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company only if the value of such transaction, whether entered into individually or taken together with previous transactions during a financial year, exceeds the limit prescribed under section 23 (2) of Listing Obligations And Disclosure Requirements Regulations.

Provided that the transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the annual general meeting for approval shall be excluded from the requirement under this Clause III (i to ix).

Provided further that the transactions entered by the listed subsidiary company to which the Company is not a party, does not require prior approval from the audit



committee of listed entity, only if regulation 23 and sub-regulation (2) of regulation 15 of listing regulation are applicable to such listed subsidiary.

However, for the related party transaction of unlisted subsidiaries of a listed subsidiary company as referred above, the prior approval of audit committee of the listed subsidiary itself shall suffice.

- xii. If the Audit Committee determines that a Related Party Transaction is –
  - a) A Material Related Party Transaction; or
  - b) Not in the ordinary course of business; or
  - c) Not on arm's length basis the Audit Committee shall place the matter before the Board for obtaining its approval, unless exempted.

## IV. RATIFICATION OF TRANSACTION BY THE AUDIT COMMITTEE:

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, or is authorised by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it.

## V. REVIEW AND APPROVAL BY THE BOARD OF DIRECTORS

When the Related Party Transaction is a:

- a) Material Related Party Transaction; or

- b) Not in the ordinary course of business; or
- c) Not on arm's length basis

the board shall consider such factors as it may deem fit and approve the transaction or may require such modifications to the transaction terms, unless exempted on recommendations of Audit Committee.

The Audit Committee shall report all Material Related Party Transactions & subsequent Material Modifications to the Board for its approval.

The agenda for Board Meeting shall inter-alia consist of the following for review:

1. the name of the related party and nature of relationship
2. the nature, duration of the contract and particulars of the contract or arrangement;
3. the material terms of the contract or arrangement including the value, if any;
4. any advance paid or received for the contract or arrangement, if any;
5. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
6. whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
7. any other information relevant or important for the Board to take a decision on the proposed transaction.

## VI. APPROVAL OF THE SHAREHOLDERS:

Unless exempted, the Company shall seek prior approval of shareholders for "Material Related- Party Transactions and subsequent Material Modifications" in a general meeting in the year in which the Related Party Transaction is undertaken or by postal ballot process. The resolution shall be an ordinary resolution or such resolution as may be required by the Companies Act and the Listing Regulations and all the Related Parties (if any) will abstain from voting on such resolution irrespective of whether the concerned entity is a party to the particular transaction or not.

Optionally, the notice being sent to the shareholders seeking approval for any proposed Related Party Transaction may, in addition to the requirements under the Companies Act and the Listing Regulations, include the following information as a part of the explanatory statement:

1. A summary of the information provided by the Company to the Audit Committee for approval of the proposed transaction;
2. Justification for why the proposed transaction is in the interest of the Company;
3. A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction shall be made available on request;
4. Any other information that may be relevant.

## **VII. REPORTING OF RELATED PARTY TRANSACTIONS**

- (a) Every contract or arrangement, which is required to be approved by the Board or the shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- (b) The details of all transactions with Related Parties shall be submitted, in the prescribed format to the stock exchanges, and requisite disclosures shall be made in other public documents/certificates as legally required, in the manner and as per the timelines set out in the Listing Regulations and the same shall be published on the Company's website.

## **VIII. DISCLOSURE BY THE COMPANY:**

This Policy shall be uploaded on the website of the Company and a web-link thereto shall be provided in the Annual Report of the Company.

Disclosure will be made in the Company's Annual Report and to the Stock Exchanges as required under the Companies Act and the Listing Regulations.

## **IX. APPROVAL FOR UNFORESEEN RELATED PARTY TRANSACTIONS:**

Pursuant to Regulation 23(3) of the Listing Regulations, where the need for related party transaction cannot be foreseen and the details required to be disclosed are not available, the Audit Committee may grant omnibus approval for such transactions, subject to their value not exceeding Rs.1 Crore (Rupees One Crore Only).

## **X. 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 its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all 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 Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee under this Policy 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 its approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this

Policy.

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Committee.

The Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction, to the extent permissible under the law.

In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

In cases where the Board and/or shareholders' approval is required for a Related Party Transaction, but such approval has not been obtained, and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such Related Party Transaction was entered into, such Related Party Transaction shall be voidable at the option of the Board.

## **XI. RELATED PARTY TRANSACTIONS WHICH DO NOT REQUIRE APPROVAL:**

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

- a. Any transaction involving the providing of compensation to a Director or Key Managerial Personnel in connection with his duties to the Company including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- b. 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.
- c. Any transaction including subsequent Material Modification entered into between (i) the Company and its wholly owned Subsidiary or (ii) between two wholly owned Subsidiaries, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- d. Any Related Party Transaction including subsequent modifications, entered into by a listed Subsidiary of the Company, which is required to comply with Regulation 15(2) and Regulation 23 of SEBI LODR Regulations, provided the Company is not a party to such transaction.
- e. Any transaction 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 the prescribed timeline.

## **XII. POLICY REVIEW:**

The Audit Committee may, for the purpose of aligning this Policy with the regulatory changes, amend any provision(s) or substitute any of the provision(s) with new provision(s) or replace the Policy entirely with a new Policy.

The Board may also, based on the recommendations from the Audit Committee, make any

amendments to the Policy from time. The Policy shall be reviewed by the Board at least once in every 3 (three) years and updated as may be required.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc. A note in relation to such changes shall be placed in subsequent meeting of the Board and the Audit Committee.

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