RELATED PARTY TRANSACTIONS POLICY OF ESPRIT STONES LIMITED

Approved by the BOD on 05th February, 2024

RELATED PARTY TRANSACTIONS POLICY

1. Preamble:

Esprit Stones Limited shall engage with Related Parties in the Ordinary course of business and on Arm's length basis to leverage scale, size and drive operational synergies to provide value added, innovative products to its consumers while ensuring that the transactions with related parties are fully compliant with applicable regulations.

2. Purpose :

The policy is to be in the best interest of its stakeholders but also in due compliance with the requirements of the Companies Act, 2013 and rules made thereunder ('the Act') and other applicable laws. Further, as per regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any statutory modification(s) or any amendment(s) thereto or any substitution(s) or any re-enactment (s) made thereof, for the time being in force ('Listing Regulations') a policy needs to be formulated to deal with Related Party Transactions including formulating a policy on materiality of related party transaction. This policy lays down the mechanism to deal with related party transaction(s).

3. Definitions:

"**Audit Committee**" or "**Committee**" means the committee constituted by the Board of Directors of the Company, from time to time, under the provisions of Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 177 of the Companies Act, 2013.

"The Act" means the Companies Act, 2013, together with the Rules notified thereunder including any statutory modifications or re-enactments thereof for the time being in force (hereinafter referred to as "Act").

"Accounting Standards" means the standards of accounting or any addendum thereto for companies or class of companies referred to in Section 133 of the Act.

"Associate Company" in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company shall include a Company as defined under section 2(6) of the Act and as defined by Accounting Standard (AS) 23, "Accounting for Investments in Associates in Consolidated Financial Statements" and by Accounting Standard (AS) 18, "Related party disclosures".

"**Arm's Length Basis**" means the terms will be treated as on 'Arm's Length Basis' if the commercial and key terms are comparable and are not materially different with similar transactions with non-related parties considering all the aspects of the transaction such as quality, realizations, other terms of the contract, etc. In case of contracts with related parties for specified period/quantity/services, it is possible that the terms of one-off comparable transaction with an unrelated party are at variance, during the validity of contract with related party. In case the Company is not doing similar transactions with any other non-related party, terms for similar transactions between non-related parties of similar standing can be considered to establish 'arm's length'.

"**Policy**" means Policy on Related Party Transactions.

"**Board**" means Board of Directors of the Company.

"**Key Managerial Personnel**" or "**KMP**" means:

a) The Chief Executive Officer (CEO) or the Managing Director or the Manager as defined under the Act;
b) The Company Secretary
c) The Whole- time Director
d) The Chief Financial Officer (CFO)
e) 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; and
f) Such other officer as may be prescribed

''**Relative**'', with reference to any person, means one who is related to another in any of the following manner:

a) If they are members of a Hindu Undivided Family;
b) If they are Husband and Wife;
c) Father (including Stepfather);
d) Mother (including Stepmother);
e) Son (including Stepson);
f) Son's Wife;
g) Daughter;
h) Daughter's Husband;
i) Brother (including Stepbrother);
j) Sister (including Stepsister)

“**Related Party**” shall have the meaning as defined in Section 2(76) of the Act and Regulation 2(1) (zb) of the SEBI Listing Regulations.

“Related Party Transaction” means a transaction except for those which have been exempted under the SEBI (LODR) Regulations, 2015, involving a transfer of resources, services or obligations between:

a) the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
b) the Company 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;

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.

including but not limited to the following –

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 to any office or place of profit in the Company, its subsidiary or associate company
g. underwriting the subscription of any securities or derivatives thereof, of the Company.

Following shall not be considered Related Party Transaction of the Company in terms of SEBI Listing Regulations:

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) corporate actions which are uniformly applicable/offered to shareholders in proportion of their shareholding such as payment of dividend, subdivision or consolidation of securities by the Company, issuance of securities by way of a rights issue or a bonus issue and buy-back of securities.
c) retail purchases from Company or any of its subsidiaries by its directors or employees, without establishing any business relationship and at the terms which are uniformly applicable/offered to all employees and directors. Further, remuneration and sitting fees paid by Company or its subsidiaries to its directors, key managerial personnels 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 Regulation 23 of the Listing Regulations.

"Regulations" means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any statutory modifications or re-enactments thereof for the time being in force (hereinafter referred to as "SEBI LODR Regulations").

"Material Related Party Transaction" means a transaction to be entered into with a Related Party, individually or taken together with previous transactions during a financial year, exceeding the following thresholds:

a) In case of transactions involving payments made with respect to brand usage or royalty, if it exceeds 5% of the annual consolidated turnover of the Company as per its last audited financial statements;
b) In case of any other transaction(s), if the amount exceeds rupees one thousand crore or 10% (ten percent) of the annual consolidated turnover of the Company as per its last audited financial statements of the listed entity, whichever is lower;
c) In case of 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.

"**Material Modification**" means in relation to a Related Party Transaction approved by the Audit Committee or a material related party transaction approved by the shareholders as the case may be, means any variation over and above the monetary limits already approved by the Audit Committee or Shareholders, as the case may be and exceeding 20% of value of transaction, in each case, over and above the pre-approved limits.

"Unforeseen Related Party Transaction" means a related party transaction, where the need for such transaction cannot be foreseen, the details whereof necessary for seeking an omnibus approval of the Audit Committee are not available and the value of such transaction does not exceed Rupees one crore per transaction.

"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.

"Transactions in the ordinary course of business" mean transactions/activities that are connected to or necessary for the business of the Company and satisfy the following principles:

a) The transaction/activity is permitted under the Memorandum and the Articles of

Association of the Company

b) The transaction/activity is carried on a frequent or regular basis or is as per the industry practice and

The terms of the transaction/activity are similar to those which would be otherwise applicable to transactions with unrelated parties.

4. Dealing with Related Party Transaction:

All related party transactions and subsequent material modifications shall require prior approval of the audit committee of the company.

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions Related Party Transactions are prohibited, unless previously approved or ratified by the Audit Committee and/or the Board of Directors of the Company in accordance with this policy. In dealing with Related Party Transactions, the Company will follow the following approach:

i. <u>IDENTIFICATION OF RELATED PARTY TRANSCATIONS:</u>

All Related Party Transactions must be brought to the notice of the Audit Committee of the Company. Any employee of the Company is aware of any transactions that is of may be perceived to be a related party transaction is required to bring the same to the attention of the Audit Committee of the Company. All Directors, Members of the Management Committee & Key Managerial Personnel (KMP's) are responsible for informing the Company of their interest (including interest of their relatives) in other Companies, firm of concerns at the beginning of every financial year and any change in such interest during the year. In addition, all Directors , Members of the Management Committee & Key Managerial Personnel (KMP's) are responsible for providing notice to the Company Secretary/Compliance Officer of any potential related party transaction involving him/her or his or relative including any additional information about the transaction that the Audit Committee may request.

The Board shall record the disclosure of the interest and the Audit Committee will determine whether the transaction is in the ordinary course of business and on arm's length basis or not. Such notice of any potential related party transaction(s) should be given well in advance so that the Company Secretary/Compliance Officer has adequate time to obtain and review information about the proposed transaction and refer it to the Audit Committee.

ii. <u>REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS:</u>

The Audit Committee may, in the interest of the conduct of affairs of the Company, grant omnibus approval for Related Party Transactions that are repetitive in nature in compliance with SEBI (LODR) Regulations, 2015 subject to the following disclosure in approval:

a) The name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;

b) The indicative base price / current contracted price and the formula for variation in the price, if any; and

c) Such other conditions as the Audit Committee may deem fit.

Such omnibus approval shall be valid for a period of one financial year and shall require fresh approvals after the expiry of one financial year.

All entities falling under the definition of Related Parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

iii. <u>REVIEW OF APPROVALS:</u>

The Audit Committee shall review, on a periodic basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approval given.

iv. <u>ASSESSMENT FOR APPROVAL:</u>

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review such documents and seek such information as it deems necessary from the management in order to determine if the transaction is in the ordinary course of business and at arm’s length or not.

v. <u>APPROVAL OF BOARD OF DIRECTORS OR OF SHAREHOLDERS OF THE COMPANY:</u>

In the event any contract or arrangement with a related party is not in the ordinary course of business or at arm’s length, the Company shall comply with the provisions of the Companies Act, 2013 and the rules made thereunder and obtain approval of the Board and/or its shareholders, as applicable, for such contract or arrangement.

All material related party transactions, other than those with exempted Wholly Owned Subsidiaries will be placed for approval of the shareholders of the Company.

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 exceed rupees One thousand crore or 10% of annual consolidated turnover of the Company as per last audited financial statement of the Company, whichever is lower.

vi. <u>DISCLOSURES:</u>

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.

vii. <u>REVIEW& REVISION:</u>

The Audit Committee shall review the Policy once in every three years, which will include an assessment of the effectiveness of the Policy. The Audit Committee will discuss any revisions that may be required and recommend any such revisions to the Board for approval.