



**GANESHA ECOSPHERE LTD.**

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

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## 1. PREAMBLE

The Companies Act, 2013 (“**Act**”) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (“**Rules**”) introduced specific provisions relating to related party transactions and defined the term related parties, (material) related party transactions, relatives and key management personnel. The Act and the Rules made thereunder have also laid down the financial limits and the approval process for such transactions.

Also, Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”) requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions including clear threshold limits duly approved by the Board of Directors of the Company.

Accordingly, the Board of Directors (“**Board**”) of Ganesha Ecosphere Ltd. (“**Company**”) has adopted a policy and a standard operating procedure to regulate transactions between the Company and its Related Parties, in compliance with the applicable provisions of the Act, the Rules and the Listing Regulations.

## 2. OBJECTIVE

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, Listing Regulations and any other laws and regulations as may be applicable to the Company.

## 3. 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.

“**Related Party**”, with reference to the Company, shall have the same meaning as defined in Section 2(76) of the Companies Act, 2013 and the Listing Regulations.

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**” (RPT) means –

- For the purpose of the Act, the transactions specified in clause (a) to (g) of sub-section 1 of Section 188 of the Act;
- For the purpose of Listing Regulations, any transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

A “**transaction**” with a related party shall be construed to include single transaction or a group of transactions in a contract.

All the words and expressions used but not defined in the Policy shall have the same meaning as assigned to them under the Listing Regulations and the Companies Act, 2013, the Rules, made thereunder, as amended, from time to time.



#### **4. MATERIALITY THRESHOLDS**

Listing Regulations requires a company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required through resolution.

Accordingly, a transaction with related party, to be entered into individually or taken together with previous transactions during a financial year, shall be considered material:

- with respect to brand usage or royalty, if the amount exceeds 5% (five percent) of the annual consolidated turnover of the Company as per its last audited financial statements;
- In any other case, if the amount exceeds 10% (ten percent) of the annual consolidated turnover of the Company as per its last audited financial statements.

#### **5. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS**

##### **5.1 Identification of Potential Related Party Transactions**

Each director and Key Managerial Personnel is responsible for providing notice to the Board or 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 require. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly 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.

##### **5.2 Procedure for approval of Related Party Transactions**

###### **a) Approval of the Audit Committee**

All related party transactions require prior approval of the Audit Committee.

###### Omnibus approval

The Company may obtain omnibus approval from the Audit Committee for related party transactions proposed to be entered into by the Company, subject to the following conditions:

- The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this policy and such approval shall be applicable in respect of transactions which are repetitive in nature;
- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- The omnibus approval shall provide –
  - 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.

However, in case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval for such transactions provided the value does not exceed Rs.1 crore per transaction;

- The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approval given;
- Such omnibus approval shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.

The above requirement of prior and omnibus approval of Audit Committee shall not be applicable for transactions entered into between the Company and its wholly owned subsidiary, if any, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

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:

1. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company.
2. 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;
3. Whether the nature of the proposed transaction is something that the Company would have ordinarily done in the course of its business;
4. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
5. 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 or in contravention of any law; and
6. Any other factor the Committee deems relevant for reviewing and approving such Related Party Transaction.

If necessary, the Committee may seek external professional advice in determining whether a transaction is in the ordinary course of business or at arm's length basis.

**b) Approval of the Board of Directors of the Company:**

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business and at arm's length basis, shall be placed before the Board for its approval. Such approval shall be granted only by means of a resolution passed at a Meeting of the Board. Where any director is interested in any contract or arrangement with a related party,



such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
- Transactions exceeding the materiality thresholds laid down Clause 4 of the Policy, which are intended to be placed before the shareholders for approval.

### **c) Approval of the Shareholders of the Company**

All material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business and at arm's length basis; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

However, the requirement of passing the shareholders' resolution shall not be applicable for transactions entered into between the Company and its wholly owned subsidiary, if any, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

## **6. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit 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 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 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 Audit 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 related party etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.



## **7. POLICY NOT TO APPLY IN CERTAIN CASES**

The transactions or arrangements which are specifically dealt under the separate provisions of the laws and executed under separate approvals / procedures shall not be covered under this Policy. Example of such transactions are as follows:

- a. Appointment and payment of remuneration, including any variation, to key Managerial Personnel;
- b. Payment of remuneration, fees, Commission etc. to any director in compliance with legal provisions;
- c. Issues of shares/ securities to related party;
- d. Any benefits, interests etc. arising to related party solely from the ownership of Company's shares at par with other holders e.g. Dividend, Right Issues, Stock Split, Bonus shares, etc.
- e. Shares based incentive plans for the benefits of Directors or KMPs approved by the Shareholders including ESOPs;
- f. CSR Contribution.

## **8. DISCLOSURES**

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.

As per the Listing Regulations, the Company shall make the following disclosures:

- The Company shall provide details of all material related party transactions (exceeding the materiality threshold as laid down in Clause 4 of the Policy above) on a quarterly basis to the stock exchanges;
- The Company shall disclose the policy on dealing with Related Party Transaction on its website and a web-link shall be provided in the Annual Report;

## **9. AMENDMENT**

The Board may, subject to applicable laws, amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy, as it may deem necessary. The policy shall be reviewed by the Board of Directors at least once in every three years and updated accordingly. Any change / amendments in applicable statutes shall be deemed to be covered in this policy without any review.

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