

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

[Pursuant to Regulation 23(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

Version	Approval date	Approving authority
Original Version	14.03.2023	Board of Directors
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1. INTRODUCTION AND BACKGROUND

The Board of Directors of Netweb Technologies India Limited ("**Company**"), has adopted this policy on Materiality of Related Party Transactions and on dealing with the Related Party Transactions ("**Policy**") on March 14, 2023, in terms of the Regulation 23(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing **Regulations**). The Board or the Audit Committee of the Board, subject to confirmation by the Board, may review and amend this Policy from time to time.

2. DEFINITION

- a) "**Act**" means Companies Act, 2013, as amended from time to time.
- b) "**Applicable Law**" means the Act and the rules made thereunder, the Regulations and applicable accounting standards and any further amendments therein which includes any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions, applicable on the Company.
- c) "**Audit Committee**" or "**Committee**" means "Audit Committee" constituted by the Board of Directors of the Company, from time to time, under provisions of the Section 177 of Act and regulation 18 of the Listing Regulations.
- d) "**Board**" means Board of Directors of the Company.
- e) "**Independent Director**" means a Director of the Company, as appointed in terms of Section 149 of the Companies Act 2013 read with relevant provisions of Listing Regulations.
- f) "**Material Related Party Transaction**"

Under Listing Regulations:

- (i) means a transaction entered into with Related Party, value whereof, individually or taken together with previous transactions during a financial year, exceeds rupees 1000 crores (one thousand crores) or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower, or such other threshold as may be laid down from time to time under Applicable Laws which includes 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 5% (five percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

Under the Act:

- (ii) means transaction as specified under Section 188(1) of the Act where the aggregate value of the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year exceeds the thresholds as specified under Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time.
- g) "**Relative**" shall have the meaning ascribed to it under section 2(77) the Act and Regulation 2(1)(zd) of the Regulations.
- h) "**Related Party**" : A Related Party shall have the same meaning as defined under section 2(76) the Act, Regulation 2(1)(zb) of the Regulations and applicable Accounting Standards.

- i) **“Related Party Transaction” (“RPT”)** shall have the same meaning as as assigned to it in the Act, the Regulations and applicable Accounting Standards.

Notwithstanding the foregoing, the following shall not be deemed Related Party Transactions:

- (i) Issue of specified securities on a preferential basis, subject to compliance of the requirements under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (ii) the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - a. Payment of dividend;
 - b. Subdivision or consolidation of securities;
 - c. Issuance of securities by way of a rights issue or a bonus issue; and
 - d. Buy-back of securities
- (iii) Retail purchases from the Company or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.
- (iv) any scheme of arrangement/ merger/ demerger/ for which specific approvals are taken pursuant to the Applicable Laws

- j) **“Material Modifications”** in relation to a Related Party Transaction as originally approved by the Audit Committee and/or shareholders of the Company, as the case may be, shall mean any modification to an existing Related Party Transaction which, either individually or taken together with previous modification(s) during a financial year, results in having variance of amount exceeding 3% of turnover on a standalone basis as per last audited annual financial statements of the Company or has significant impact, as illustrated below w.r.t nature, value, tenure, exposure, or has a likely financial impact of such transaction, or such modification as may be decided by the Audit Committee from time to time Indicative list of rebuttable presumptions that a modification is material if such modification, together with previous modifications during a financial year, results into any of the following:

- 1. A variation in the value of the transaction/ contract as originally approved, by Rs. 1 Crore or more;
- 2. Any modification which results into the claims of either party being subordinated, or relaxation of security interest;

A modification shall be deemed to be material if the terms of the contract cease to be arms' length basis.

Following shall not be considered as a material modification:

- 1. modifications which may be mandated pursuant to change in law,
- 2. modifications pursuant to and in accordance with the terms of the approved transaction/contract, with mutual consent of parties;
- 3. modifications resulting from change in constitution of either of the parties pursuant to schemes of arrangement (e.g. merger, amalgamation, demerger, etc.) approved by appropriate authority;
- 4. modifications which are purely technical and do not result in substantive change or alteration of rights, interests, and obligations of any of the parties;
- 5. modifications uniformly affected for similar transactions with unrelated parties

3. **POLICY STATEMENT**

- a) All related party contracts / arrangements shall be entered on arms' length basis.
- b) All related party contracts / arrangements shall comply with the Applicable Laws
- c) The Committee is empowered to exercise all such powers which are permitted by the Act and Listing Regulations

4. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS AND SUBSEQUENT MODIFICATIONS

All RPT and subsequent modifications shall be approved by the Audit Committee and referred for approval of shareholders by the Committee in accordance with this Policy. Only those members of the Audit Committee, who are independent directors, shall approve RPT.

4.1 Identification of Related Parties and Related Party Transactions

- a. The Compliance Officer shall, at all times, identify the Related Parties of the Company in accordance with applicable Laws, along with their personal/company details, make a list, revisit and confirm such list at frequent intervals, as may be required as well as on a quarterly basis.
- b. Each Director and KMP is responsible for providing notice to the Company regarding persons and entities to be considered as "Related Party" by virtue of relationship or his/her being Director/KMP in the Company or holding a certain shareholding percentage. Such notice shall be provided to the Company at the time of appointment and also at the beginning of every financial year and whenever there is any change in the disclosures already made.
- c. The Compliance Officer shall maintain a list of Related Parties of its subsidiaries also, which may be sourced from respective subsidiaries on periodic basis, including, as and when there is a change, as reported by the respective subsidiaries. Adequate systems must be in place to ensure that the proposed RPTs in which the Company is not a party, but the subsidiary is a party, shall be brought to the information of the Company in a timely manner, for necessary approvals, wherever required and disclosures.
- d. The list of Related Parties of the Company and its subsidiaries shall be placed before the Audit Committee, as and when updated and shall be reviewed on yearly basis.
- e. The Company shall also make endeavors to determine the transactions which are entered into with unrelated parties, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiary.

4.2 Identification of Related Party Transactions and/or modifications of Related Party Transactions

Each Director and Key Managerial Personnel is responsible for providing notice to the Board & Audit Committee of any potential Related Party Transaction and/or modifications of 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 request.

4.3 Approval Requirements for Related Party Transactions and subsequent material modifications

I. Approval of Audit Committee

- a. Subject to provision of Applicable Laws, all Related Party Transactions and subsequent modifications thereto shall require prior approval of the Audit Committee.
- b. A Related Party Transaction to which the unlisted subsidiary of the Company is a party but Company is not a party, shall require prior approval of the Audit Committee of Company 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 of such subsidiary, as per the last audited financial statements ("Significant RPTs").
- c. Any member of the Audit Committee who has a potential interest in any RPT shall recuse himself and abstain from discussion and voting for the approval of the RPT. Further, only those members of the Audit Committee, who are independent directors, shall approve RPTs.

- d. The Audit Committee will be provided with such information as specified in the Industry Standards on "Minimum information to be provided for review of the audit committee and shareholders for approval of a related party transaction" via NSE Circular Ref. No: NSE/CML/2025/05 dated February 15, 2025 or other information as may be prescribed under the Applicable Laws, from time to time, while deliberating on the RPT for its approval.
- e. The Audit Committee shall be entitled to call for additional information/ documents as considered relevant in order to understand the scope of the proposed RPT and recommend an effective control system for the verification of the supporting documents.
- f. The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

Exception from the approval of Audit committee

- Approval of the Audit Committee shall not be required for any transaction which has been entered into by the Company with its wholly owned subsidiary and 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 general meeting for approval. However, approval shall be required in case of RPTs entered into between the Company and its wholly owned subsidiary for transactions specified in section 188 of the Act.
- Further, remuneration and sitting fees paid by the Company or its subsidiary to its director, KMP 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 Related Party Transaction under the Regulations.

II. Approval of Board

- a. Prior approval of the Board of Directors shall be obtained for the following events where:
 - i. Transaction or any modification thereto is covered under section 188 of the Act except any transactions entered into by the Company in its ordinary course of business and on arm's length basis; or
 - ii. The Audit Committee determines that a RPT should be brought before the Board; or
 - iii. The Board in any case elects to review any RPT *suo moto*; or
 - iv. The RPT needs to be approved by the Board under any law for the time being in force.
- b. The considerations set forth above in case of the Audit Committee shall also apply to the Board's review and approval of the proposed RPT with such modifications as may be necessary or appropriate under the circumstances.
- c. Any member of the Board who has any interest in any RPT will recuse himself and abstain from discussion and voting for the approval of the RPT.
- d. Any Material RPT as referred by the Audit Committee for Shareholder's Approval shall be placed before the Board for its consideration and approval.

III. Shareholders' approval

- a. All Material Related Party Transactions including any subsequent Material Modifications thereto, shall require prior approval of the Shareholders.
- b. Shareholders' approval of omnibus RPTs approved in an AGM shall be valid upto the date of the next AGM for a period not exceeding fifteen months.
- c. In case of omnibus approvals for material RPTs, obtained from shareholders in general meetings other than AGMs, the validity of such omnibus approvals shall not exceed one year.

- d. No Related Party shall vote to approve such RPT resolutions irrespective of whether the concerned person / entity is a Related Party to the particular transaction or not.
- e. The explanatory statement to be annexed to the notice being sent to the shareholders seeking approval for any proposed related party transaction shall include the disclosure prescribed in Rule 15(3) of (Meeting of Board and its Powers) Rules, 2014 and / or as specified in the Industry Standards on "Minimum information to be provided for review of the audit committee and shareholders for approval of a related party transaction", as the case may be.
- f. However, such prior approval of Shareholders of the Company shall not be required for any transaction which has been entered into by the Company with its wholly owned subsidiary and 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 general meeting for approval.

IV. Ratification of RPT by the Audit Committee

- a. A Related Party Transaction may be ratified only by the members of the Audit Committee who are independent directors within 3 months from the date of such transaction or in the immediate next meeting of the audit committee, whichever is earlier.
- b. The ratification of such Related Party Transaction shall be subject to the following conditions:
 - i. The value of the concerned transaction, whether entered into individually or taken together with previous transaction, during a financial year shall not exceed rupees 1 crore.
 - ii. Such transaction is not a Material Related Party Transaction within the meaning of reg. 23(1) of SEBI LODR.
 - iii. Rationale for inability to seek prior approval for such a transaction shall be placed before the Audit Committee at the time of seeking ratification.
 - iv. Details of ratification shall be disclosed along with the half-yearly disclosure of Related Party Transaction under reg. 23(9) of SEBI LODR.
- c. 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 is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.
- d. 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 by the defaulting person (as may be decided by the Audit Committee) to the related party or the Company as the case may be, etc.

V. Ratification of RPT by Board/ Shareholders

- a. Where a RPT was required to be approved by the Board or shareholders, as the case may be, such relevant authority may also ratify RPT which were entered into/undertaken without the approval of board / shareholder. Such a transaction shall be required to be ratified within 3 months from the date on which such RPT was entered into subject to the value of the concerned transactions, whether entered into individually or taken together with previous transactions, during a financial year not exceeding rupees 1 crore.

- b. Where a Related Party Transaction is not ratified within 3 months, such transaction shall be voidable at the option of the Board or, as the case may be, of the shareholders. If the contract or arrangement is with a Related Party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

4.4 Review and Parameters for Approval of Potential Related Party Transactions and modifications of Related Party Transactions

All Related Party Transactions and modifications to a Related Party Transactions shall be referred to the Audit Committee for review and approval. To review a Related Party Transaction and modifications to a Related Party Transactions, the Audit Committee and/ or Board, as the case may be, will be provided with all relevant material information of the Related Party Transaction as specified in the Industry Standards on "Minimum information to be provided for review of the audit committee and shareholders for approval of a related party transaction" via NSE Circular Ref. No: NSE/CML/2025/05 dated February 15, 2025 including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

In determining whether to approve a Related Party Transaction, the Audit Committee or/ and the Board, as the case may be, will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- Whether the terms of the Related Party Transaction are at arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- 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;
- Whether the Related Party Transaction would affect the independence of an independent Director;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the interest of Company; and
- Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director or other Related Party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction, and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

4.5 Omnibus approval

In the case of Related Party Transactions which are frequent and regular in nature, are in the normal course of business of the Company and on arm's length basis, the Audit Committee may grant omnibus approval for such transactions to be entered into by the Company, or, wherever required, for the RPTs to be entered into by the subsidiaries, provided that the Audit Committee shall lay down criteria for granting such approval, after obtaining the approval of the Board. Such criteria shall specify:

- (a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
- (b) the maximum value per transaction which can be allowed;
- (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;

(d) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;

(e) transactions which cannot be subject to the omnibus approval by the Audit Committee.

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

- The name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
- The indicative base price / current contracted price and the formula for variation in the price if any and
- Such other conditions as the Audit Committee may deem fit.

The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -

- a. repetitiveness of the transactions (in past or in future);
- b. justification for the need of omnibus approval.

Where the Audit Committee is not convinced on the need for granting omnibus approvals, the Audit Committee may reject the proposal placed before it with reasonable explanation for the same. Notwithstanding the generality of foregoing, the Audit Committee shall not grant omnibus approval for following transactions:

- a. Transactions which are either not in ordinary course of business or not on arm's length basis;
- b. Transactions in respect of selling or disposing of the undertaking of the Company;
- c. Transactions which are not in the interest of the Company;
- d. Such other transactions specified under Applicable Law from time to time.

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

The Audit Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the Company or its subsidiary(ies) pursuant to each of the omnibus approval given. Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of one year. The omnibus approval may be sought preferably in a meeting before the beginning of the financial year for which approval of the Audit Committee is sought or any time prior to entering into such a transaction.

5. Committee / Board to seek details

While reviewing any Related Party Transaction, the Committee and/or the Board shall be at liberty to call for more information/details/advise/opinion inter alia from the following persons:

- Any employee
- Internal Auditor
- Statutory Auditor
- Cost Auditor
- Secretarial Auditor
- Legal Advisor
- External Expert/Consultant

6. Determination of Arm's Length Basis

The following is an indicative checklist for the process of determining that RPTs are at arm's length basis. In relation to this, the Company may follow the steps listed down:

- a. To determine whether the said transaction(s) have been entered in the Company's ordinary course of business;
- b. To confirm whether the contract(s)/arrangement(s) is continuing in nature;
- c. In relation to new contracts, the credit worthiness of the parties with whom such contract(s)/arrangement(s) have been entered into needs to be determined and disclosed;
- d. Whether the credit terms provided in such transaction(s) are at par with the prevalent practice(s) of the company;
- e. To check whether the pricing norms are in accordance with the arm's length pricing norms as per Income Tax Act, 1961. If yes, the certificate, if any, obtained be placed at the audit committee meeting;
- f. To confirm whether the price has been determined through any verifiable transparent market pricing norms i.e. any quotation, tender or open market prices;
- g. To determine the degree of comparability with uncontrolled transactions.
- h. To make sale of indigenously manufactured products at a price which should not be less than cost plus mark up for that product.

Additional criteria

- i. In case of financial transactions, determine the risks associated and returns earned are in tune with the credit policy of the company/ based on principles which are customary in commerce.
- ii. A trend analysis from past practices with related parties may also be done and placed at the audit committee. Additionally, an estimation of the expected volume of transactions in the ensuing year may also be done and placed at the audit committee meeting.

Further, the arm's length principle and the transfer pricing methodologies prescribed under the Income-Tax Act, 1961, as amended from time to time, as well as associated domestic and international guidance shall also be referred to determine arm length price relating to all related party transactions.

7. Reporting and Disclosures

- a. The Company shall comply with all reporting and disclosure requirements as may be prescribed from time to time in terms of Applicable Laws including the Companies Act, 2013 and SEBI (LODR) Regulations, 2015.
- b. The Company shall disclose this Policy on its website and a web link of this Policy shall be provided in the Annual Report.
- c. This Policy will be communicated to all employees and other concerned persons of the Company.
- d. Disclosure of following categories of Related Party Transactions covered under Section 188 of the Act, in form AOC-2 to be annexed with Board's Report:
 - i. All Material Related Party Transactions; and
 - ii. All Related Party Transactions not entered into at an arm's length basis
- e. Half-yearly disclosure of Related Party Transactions, including ratification, if any, on a consolidated basis, in the format specified by SEBI from time to time, to the stock exchanges and to publish the same on its website of the Company on the date of publication of standalone and consolidated financial results of the Company.

- f. However, remuneration and sitting fees paid by the Company or its subsidiary to its director, KMP or senior management, except who is part of promoter or promoter group, shall not require disclosure under such half-yearly disclosure provided that the same is not material RPT under Listing Regulations.
- g. The Company shall keep the register of Contracts or Arrangements containing particulars of all contracts or arrangements entered into with related parties to which Section 188 of the Act applies for perusal/ signatures of the Directors.

8. Amendment

The Policy shall be reviewed by the Board at least once every three years and be updated accordingly. The Audit Committee of the Company shall review and may recommend amendments to this policy to the Board atleast once in every three years and update the Policy accordingly, subject to the approval of the Board of Directors of the Company.

Any or all provisions of this Policy would be subject to revision / amendment in accordance with the amendments notified in Applicable Laws. 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.
