

IL&FS Engineering and Construction Company Limited
Related Party Transaction Policy

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IL&FS Engineering and Construction Company Limited

Related Party Transactions Policy

**[In terms of Regulation 23 of the Securities and Exchange Board of India
(Listing Obligations and Disclosure Requirements Regulations, 2015)]**

1. Introduction

1.1 The Companies Act, 2013, as amended from time to time (**‘Act’**) and the Securities and Exchange Board of India (**‘SEBI’**) have prescribed regulations governing related party transactions entered into by public listed companies. The Act defines related parties and related party transactions and prescribes certain approval requirements with respect to such transactions. The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (**‘SEBI Listing Regulations’**) *inter alia* require listed companies to adopt a policy setting out the manner in which such companies will deal with related party transactions as well as the materiality thresholds applicable to such transactions.

1.2 In order to consolidate the procedural requirements under the Act and the SEBI Listing Regulations, the Board of Directors (**‘Board’**) of IL&FS Engineering and Construction Company Limited (**‘Company’**) has laid down this policy on related party transactions in accordance with the requirements of the Act read with relevant party transactions in accordance with the requirements of the Act read with relevant rules prescribed thereunder and the SEBI Listing Regulations.

1.3 The Board of the Company has adopted the following policy and procedures with regards to related party transactions.

2. Objectives

2.1 The Board recognizes that related party transactions need to be reviewed as per the provisions of the Act and the SEBI Listing Regulations. This Policy (defined hereinafter) sets forth the pre-requisites and procedure for the following:

- (a) Identification of related parties and related party transactions with respect to the Company;
- (b) Approval of related party transactions as per the applicable provisions of the Act and the SEBI Listing Regulations and accounting standards prescribed under Section 133 of the Act (**“Ind AS”**);
- (c) Disclosure of related party transactions as per Ind AS, the Act, the SEBI Listing Regulations and any other applicable law for the time being in force.

3. Definitions

Definitions of some of the key terms used in this Policy are given below:

a) **'Act'** means the Companies Act, 2013 and the rules made thereunder, as amended from time to time.

b) **'Arm's Length Transaction'** means a transaction between the Company and its Related Party(ies) (defined hereinafter) that is conducted as if they were unrelated, so that there is no conflict of interest. The term **'Arm's Length'** shall be construed accordingly.

c) **'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.

Explanation.—For the purpose of this clause-

(i) the expression "significant influence" means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement;

(ii) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

d) **'Audit Committee' or 'Committee'** means the committee constituted by the Board of the Company as per provisions of the Act and the SEBI Listing Regulations.

e) **'Board' or 'Board of Directors'** means the board of directors of IL&FS Engineering and Construction Company Limited.

f) **'Company'** means IL&FS Engineering and Construction Company Limited.

g) **'Director'** means a director appointed on the Board of the Company.

h) **'Key Managerial Personnel' or 'KMP'** in relation to a Company means:

- i. the chief executive officer or the managing director or the manager;
- ii. the company secretary
- iii. the whole-time director
- iv. the chief financial officer
- v. 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
- vi. such other officer as may be prescribed under the Act.

i) **‘Material Related Party Transaction’** means a transaction with a Related Party, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent (10%) of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

Notwithstanding the above, a transaction involving payments made to a Related Party with respect to brand usage or royalty shall be considered Material Related Party Transaction, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent (5%) of the annual consolidated turnover of the listed entity as per the Company’s last audited financial statements.

j) **‘Material Modification’** means any modifications to the related party transactions which were approved by the Audit Committee or Shareholders (in case of a material related party transaction) (i) where the variation exceeds 20% of the originally approved transaction, in case of any monetary modification; or (ii) which, in the opinion of the audit committee, significantly alters the nature or commercial terms of the transaction.

k) **‘Policy’** means this Related Party Transactions Policy.

l) **‘Related Party’** means related party as defined under Section 2(76) of the Companies Act, 2013 read with sub-regulation (zb) of Regulation 2 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments from time to time.

m) **‘Related Party Transaction’ or ‘RPT’** means any transaction or arrangement in which the Company and Related Party are contracting parties either directly or indirectly as defined under Section 188 of the Companies Act, 2013 and sub-regulation (zc) of Regulation 2 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments issued from time to time.

n) **‘Stock Exchanges’** means the stock exchanges where the specified securities of the Company are listed.

o) **‘Subsidiary Company’ or ‘Subsidiary’** means a company as defined under Section 2(87) of the Act.

Words and expressions not defined in this Policy shall have the same meaning as contemplated in the Act read with the rules made thereunder, the SEBI Listing Regulations and any other applicable laws or regulations for the time being in force.

4. Policy

4.1 Identification of Related Parties

a) Each Director and KMP shall disclose to the company secretary of the Company in form MBP-1, at the time of appointment, beginning of every financial year and whenever there is any change in the disclosure so made, about all persons, entities, firms in which he/she is interested, whether directly or indirectly.

b) The Company Secretary with the help of Chief Financial Officer, at the beginning of every financial year, shall identify the details about the related parties Subsidiaries, Associate Companies, Joint Venture Companies, etc., and subsequent changes therein forthwith.

c) The directors / KMP of Subsidiary companies of the Company shall disclose to the company secretary of the Company at the beginning of every financial year and whenever there is any change in the disclosure so made, the details of Related Parties of that Subsidiary.

d) The company secretary shall compile the information received from all concerned and send the information about such Related Parties to the IT team and finance team for their information and necessary action.

e) The concerned functional/ business head(s) shall forward to the company secretary and chief financial officer, the details of any proposed Related Party Transaction with the draft terms and conditions or other related information and certifying that such transactions are at Arm's Length and in the ordinary course of business. The company secretary or the chief financial officer, upon receipt of such information, will furnish the same to Audit Committee for its approval and further action, if any.

f) Any proposed modification(s) in the Related Party Transactions already entered into shall be intimated to the company secretary and chief financial officer by the functional/ business head, which shall be placed before the Audit Committee for its prior approval in accordance with this Policy.

4.2 Approval of Audit Committee

a) All the Related Party Transactions to which the Company is a party and subsequent modifications thereto shall require prior approval of the Audit Committee; provided, that only those members of the Audit Committee, who are independent directors, shall approve such Related Party Transaction(s). However, approval of the Audit Committee is not required if the Related Party Transactions are entered between the Company and its wholly-owned Subsidiary, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

A related party transaction above rupees one crore, whether entered into individually or taken together with previous transactions during a financial year, to which the 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, exceeds the lower of the following:

(i) *ten percent of the annual standalone turnover of the subsidiary as per the last audited financial statements of the subsidiary; or*

(ii) *the threshold for material related party transactions of listed entity as specified in Schedule XII of these regulations.*

In the event of a related party transaction above rupees one crore, whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary of a listed entity is a party but the listed entity is not a party and such subsidiary does not have audited financial statements for a period of at least one year, prior approval of the audit committee of the listed entity shall be obtained if the value of such transaction exceeds the lower of the following:

- (i) ten percent of the aggregate value of paid-up share capital and securities premium account of the subsidiary; or*
- (ii) the threshold for material related party transactions of listed entity as specified in Schedule XII of these regulations:*

Provided that the aggregate value of paid-up share capital and securities premium account of the subsidiary shall be taken as on a date, not older than three months prior to the date of seeking approval of the audit committee.

Further, prior approval of the Audit Committee shall not be required for a Related Party Transaction to which a listed subsidiary of the Company is a party but the Company is not a party, if Regulation 23 and Regulation 15(2) of the SEBI Listing Regulations are applicable to such listed subsidiary.

b) Where the Audit Committee does not approve the Related Party Transactions, other than prescribed in clauses (a) to (g) of Section 188(1) of the Act, it shall make its recommendations to the Board for approval.

c) Remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel 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 this policy. The disclosure of the same shall not be required as per Reg. 23(9) of the SEBI Listing Regulations.

d) 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 of this policy;
- (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 to the stock exchange and is publish on the website of the Company;
- (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 is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.”

e) The Audit Committee may grant omnibus approval for Related Party Transactions of the Company or its subsidiary subject to the conditions as laid down under Section 177(4)(iv) of the Act, and Regulation 23(3) of the SEBI Listing Regulations. Additionally, the Audit Committee may also grant omnibus approval for any Related Party Transaction of unforeseen nature not exceeding ₹ one crore per transaction.

For the sake of clarity, the Audit Committee may grant omnibus approval for Related Party Transactions with wholly-owned Subsidiaries exceeding the threshold limits prescribed above, subject to compliance with the provisions of the Act.

f) The omnibus approval shall specify:

- (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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:

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

g) The Audit Committee shall review on a quarterly basis, the details of Related Party Transactions entered into by the Company or its subsidiary pursuant to each of the omnibus approvals given.

h) Any member of the Audit Committee who has a potential conflict of interest in any Related Party Transaction shall abstain from discussion and voting on such Related Party Transaction.

i) Where any Director is interested in any contract or arrangement with a Related Party, such Director shall not be present at the meeting of the Audit Committee during discussions and voting on the subject matter of the resolution relating to such Related Party Transaction.

4.3 Approval of Board of Directors

a) The following contract or arrangement with a Related Party which are not in the ordinary course of business or are in the ordinary course of business but are not on Arm's Length basis shall require prior approval of the Board given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed:

- i. sale, purchase or supply of any goods or materials; or
- ii. selling or otherwise disposing of, or buying, property of any kind; or leasing of property of any kind; or
- iii. availing or rendering of any services; or

- iv. appointment of any agent for purchase or sale of goods, materials, services or property; or
- v. such Related Party's appointment to any office or place of profit in the Company, its Subsidiary or Associate Company; and
- vi. underwriting the subscription of any securities or derivatives thereof, of the Company.

b) All the Material Related Party Transactions and subsequent Material Modifications thereto shall be considered and approved by the Board before the same are considered by the shareholders for their prior approval except for those transactions which are between the Company and its wholly-owned Subsidiary or 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.

c) Where any Director is interested in any contract or arrangement with a Related Party, such Director shall not be present at the Board meeting during discussions and voting on the subject matter of the resolution relating to such Related Party Transaction.

d) Where any contract or arrangement set out in clause 4.3(a) above is entered into by a Director or any other employee, without obtaining the consent of the Board or the shareholders (as applicable) 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 contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and 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 Approval of Shareholders

a) Any contract or arrangement set out in clause 4.3(a) above, which requires Board approval & exceeds the limits as prescribed under Section 188 of the Act, shall be placed for shareholders' approval by way of a resolution, except for transactions which are between the Company and its wholly-owned Subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval. Any shareholder who is a related party in the context of such contract or arrangement for which the resolution is being passed, shall abstain from voting on the resolution to approve such contract or arrangement

b) Subject to the provisions of Regulation 23(5)(b) and (c) of the SEBI Listing Regulations, all Material Related Party Transactions and subsequent Material Modifications thereto shall require prior approval of the shareholders and their approval will be sought by way of a resolution. No Related Party(ies) shall vote to approve such resolution, irrespective of whether the entity is a related party to the particular transaction or not, provided that prior approval of the shareholders of the Company shall not be required for a Related Party Transaction to which a listed subsidiary of the Company is a party but the Company is not a party, if Regulation 23 and Regulation 15(2) of the SEBI Listing Regulations are applicable to such listed subsidiary; provided, further, that the requirements under this clause (B) shall not apply

in respect of a resolution plan approved under Section 31 of the Insolvency and Bankruptcy Code, 2016, subject to the event being disclosed at the Stock Exchanges within 1 (one) day of the resolution plan being approved.

4.5 Evaluation Process of Related Party Transactions

a) To approve a Related Party Transaction, the Committee/ Board/ Shareholders, as the case may be, shall be provided all relevant material information relating to such transaction, including the terms and such other details as required under the Act, the SEBI Listing Regulations or by the Audit Committee/ Board, as the case may be. While approving a Related Party Transaction, the Audit Committee/ Board will consider the following factors, among others, to the extent relevant:

(i) whether the terms on which Related Party Transaction as set-out in clause 4.3(A) above is proposed are in the ordinary course of business and on arm's length basis with respect to the Company;

(ii) whether the Related Party Transaction would affect the independence of an independent director of the Company/ Subsidiary

(iii) whether the Related Party Transaction includes any potential reputational risk that may arise as a result of or in connection with the proposed transaction; and

(iv) whether the Related Party Transaction would present conflict of interest for any Director or KMP of the Company/ Subsidiary

b) Whenever there is any doubt with regard to transaction(s) with Related Party(ies) and/or the applicable corporate governance requirements, the Audit Committee/ Board may seek a legal opinion/clarification for the same.

c) The Audit Committee shall consider all relevant facts and circumstances regarding a Related Party Transaction placed before it.

d) In the event any Director, KMP or any other employee becomes aware of any Related Party Transaction(s) that has been omitted to be approved by the Audit Committee/ Board/ shareholders or is in deviation of this Policy, such person shall promptly notify the company secretary of the Company, of such transaction, who shall ensure that such transaction is brought to the notice of the Audit Committee or the Board, as applicable, at the earliest.

e) The Audit Committee/ Board shall evaluate such transaction(s) and may decide as it considers appropriate, subject to the Act and the SEBI Listing Regulations, the necessary action to be taken, including ratification, revision or termination of the Related Party Transaction.

5 Disclosures

a) In terms of the provisions of Section 134(3)(h) of the Act, particulars of contracts or arrangements set out in clause 4.3(a) above shall be disclosed in the Board's report in the prescribed form

b) Details of all Material Related Party Transactions shall be disclosed in accordance with Regulation 27 (Corporate Governance Report) of the SEBI Listing Regulations.

c) Details of all Related Party Transactions shall be disclosed to the Stock Exchanges in the prescribed format every six months, on the date of publication of the Company's half yearly standalone and consolidated financial results, and the Company shall publish the same on its website.

In case high value debts are listed such disclosures shall be submitted along with its standalone financial results for the half year.

d) This Policy shall be disclosed under a separate section on the website of the Company and a web link thereto shall also be provided in the annual report of the Company.

e) The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any Related Party.

6 Authority/Policy Review

a) This Policy has been adopted by the Board of the Company at its meeting held on 11th February, 2025 and shall be effective from immediate effect (unless otherwise specified).

b) This Policy is based on the provisions of the Act and the SEBI Listing Regulations, and shall be reviewed by the Board at least once in every 3 (three) years and updated accordingly

c) Any subsequent amendment/ modification in the Act, SEBI Listing Regulations or any other governing Act/ Rules/ Regulations or re-enactment, impacting the provisions of this Policy, shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be modified and/or amended to that extent, even if not incorporated in this Policy.

d) The company secretary and chief financial officer are jointly authorized to amend this Policy to be made consistent with the prevailing provisions of the Act and the SEBI Listing Regulations, which shall be placed before the Audit Committee and Board for their approval.

e) In case of any interpretation issue on any matter relating to this Policy, the Audit Committee/ Board shall refer the same for legal opinion.

7 General

a) In case of any doubt with regard to any provision of the Policy and also in respect of matters not covered herein, a reference shall be made to the Chairperson of the Audit Committee. In all such matters, the interpretation and decision of the Chairperson shall be final. The Company reserves the right to modify, cancel, add, or amend any clause of this Policy as set out above.

b) In the event of any conflict between the provisions of this Policy and of the Act or of the SEBI Listing Regulations or any other statutory enactments, such the provisions of the Act or SEBI Listing Regulations or statutory enactments, shall prevail over this Policy. Any subsequent amendment/ modification in the SEBI Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

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