

Subject: Policy on materiality of related party transactions and dealing with related party transactions	Original Issue Date: 22.11.2017	Version No.: 4.0
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**ARSS INFRASTRUCTURE PROJECTS LIMITED
(‘ARSS IPL’)**

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

1. Title

This policy shall be called the ‘Policy on materiality of related party transactions and dealing with related party transactions’ (the “**Policy**”).

2. Objective

- a. Related party transactions have been one of the major areas of focus for corporate governance reforms being initiated in India. The changes introduced in the corporate governance norms through Section 188 of the Companies Act, 2013, as amended and the rules framed thereunder (the “**Act**”) and Regulation 23 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended (“**SEBI Listing Regulations**”) require companies to have enhanced transparency and due process for approval of the related party transactions. Pursuant thereto, Section 188 of the Companies Act and Regulation 23 of the SEBI Listing Regulations require the Company to formulate a policy on materiality of related party transactions and also on dealing with related party transactions including clear threshold limits duly approved by the Board.

This policy is framed to endeavor to ensure due and proper compliance with the applicable provisions and provide guidance for entering into transaction with related party to ensure that proper procedure is defined and followed for approval / ratification and reporting of transactions as applicable, between the Company and any of its Related Parties.

3. Definitions:

- a) “**Act**” or “**The Act**” shall mean the Companies Act, 2013 and the Rules made thereunder (as amended/modified/re-enacted from time to time).
- b) “**Arms’ length transaction**” means a Transaction between two related parties that is conducted as if they were unrelated, so that no conflict of interest.

Note: For determination of Arm’s Length basis, guidance may be taken from the provision of Transfer Pricing under Income Tax Act, 1956.

- c) “**Key Managerial Personnel**” or “**KMPs**” means Key Managerial Personnel as defined under the Companies Act and includes:
- i. Managing Director, or Chief Executive Officer or Manager;
 - ii. the Whole-Time Director;
 - iii. Company Secretary;
 - iv. 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.
- d) “**Material Related Party Transaction**” in relation to the Company means a Related Party Transaction which individually or taken together with previous transactions with a Related Party during a financial year, exceeds one thousand crore or ten per cent of the annual

consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower or such limit as prescribed or amended by the **SEBI Listing Regulations** or the Companies Act, 2013 or any other Statutory Bodies.

- e) Notwithstanding the above, a 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 individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company such limit as prescribed or amended by the **SEBI Listing Regulations** or the Companies Act, 2013 or any other Statutory Bodies.
- f) **“Ordinary Course of Business”** means all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, providing loan to subsidiaries/joint ventures/obtaining loan from holding companies in the normal routine in managing trade or business and is not a standalone transaction and includes any transaction carried out as per the Object Clause of Memorandum of Association and Articles of Association of the Company.

Note: The Company may take into account the frequency of the activity and its continuity carried out in a normal organized manner for determination what is in the ordinary course business.

- i. **“Relative”** in relation to a related party shall have the same meaning assigned to it in Section 2(77) of the Act and rules prescribed there under and as per Regulation 2(1) (zd) of the SEBI Listing Regulations as amended from time to time, means anyone who is related to another, if
- (i) they are members of a Hindu undivided family; or
 - (ii) they are husband and wife; or
 - (iii) one person is related to the another in the following manner, namely:
 - (A) father, includes step-father
 - (B) mother, includes step-mother
 - (C) son includes step-son
 - (D) son’s wife
 - (E) daughter
 - (F) daughter’s husband
 - (G) brother includes step-brother
 - (H) sister includes step-sister

- g) **“Related Party”** means a person or an entity, which is a related party under section 2(76) of the Companies Act, 2013 as amended from time to time or under applicable accounting standards and as per Regulation 2(1) (zb) of the SEBI Listing Regulations as amended from time to time.

Note: Reference and reliance may be placed on the clarification issued by the Ministry of Corporate Affairs, Government of India and other authorities from time to time on the interpretation of the term “Related Party”.

- h) **“Related Party Transactions”** means a transaction involving a transfer of resources, services or obligations between:
- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
 - (ii) a listed entity 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, with effect from April 1, 2023.

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:

Provided that the following shall not be a related party transaction:

- (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) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.
- (c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board.

- i) **“Transaction”** shall be construed to include single transaction or a group of transactions in a contract.
- j) **“Material Modification”** 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, material modifications means any variation having an impact on the monetary limits already approved by the Audit Committee or Shareholders, as the case may be, exceeding 20% of transactions, in each case, over and above the approved limits.

Any words used in this Policy but not defined herein shall have the same meaning prescribed to it in the Companies Act, the Securities and Exchange Board of India Act, 1992, as amended, or rules and regulations made thereunder including the SEBI Listing Regulations, the applicable accounting standards or any other relevant legislation/law applicable to the Company.

4. Disclosure by Directors

Every director shall at the beginning of the financial year provide information by way of written notice to the Company regarding his concern or interest in the entity with specific concern to parties which may be considered as Related Party with respect to the Company and shall also provide the list of Relatives which are regarded as Related Party as per this Policy.

Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as Related Party according to this Policy.

5. Identification of related parties and related party transactions

a) Identification of related parties

The Company shall periodically identify and update the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed thereunder and SEBI Listing Regulations. Such periodicity shall not be more than one year.

b) Identification of related party transactions

The Company has formulated process for identification of related party transactions in accordance with Section 188 of the Act and SEBI Listing Regulations. The Company has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company may seek external professional opinion, if necessary.

Each Director and Key Managerial Personnel is responsible for providing notice to the Company 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 request. Audit Committee will determine whether a transaction does constitute a Related Party Transaction requiring compliance with this Policy.

6. Determination of approval level based on nature of transaction

I. Audit Committee approval

- a. Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee or the Directors of the Board who has potential interest in any Related Party Transaction in terms of Rule 15(2) of the Companies (Meeting of Board and its Powers) Rules, 2014 shall not be present at the meeting whether physically or by electronic mode during the discussions on the subject matter and shall recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.
- b. All the transactions which are identified as Related Party Transactions should be preapproved by the Audit Committee before entering into such transaction.
- c. The Audit Committee shall consider the following factors while deliberating the Related Party Transactions for its approval:
 - i. name of party and details explaining nature of relationship;
 - ii. duration of the contract and particulars of the contract and arrangement;

- iii. nature of transaction and material terms thereof including the value, if any;
 - iv. manner of determining the pricing to ascertain whether the same is on Arm's Length Basis;
 - v. business rationale for entering into such transaction; and
 - vi. any other information relevant or important for the Board to take a decision on the proposed transaction.
- d. 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:
- i. Whether the terms of the Related Party Transaction are fair and on Arm's Length Basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
 - ii. Whether there are any compelling business reasons / rationale for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
 - iii. Whether the Related Party Transaction would affect the independence of an independent Director;
 - iv. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
 - v. 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 Company; and
 - vi. 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, Executive Officer 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.

II. **Board of Directors approval**

All Related Party Transactions covered under Section 188 of the Act (which primarily excludes loans, investments and providing guarantee/security etc.) that are:

- not in the ordinary course of business, or
- in the ordinary course of business but not at arms' length or
- neither in the ordinary course of business nor at arms' length

shall require the prior approval of the Board of Directors at a Meeting of the Board.

Further, the transactions which require approval of the Board shall first be reviewed /approved by the Audit Committee. 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.

III. **Shareholders' approval**

All Related Party Transaction which falls under first proviso to section 188 of the Act and exceeds the threshold limit as prescribed under rules made thereunder (as amended/modified from time to time) or material related party transactions and subsequent material modification under Regulation 23 of SEBI LODR Regulations shall be approved by the shareholders in the manner prescribed thereunder. All entities falling under the definition of Related Parties shall not vote to approve the relevant transaction irrespective of whether the entity is party to the particular transaction.

7. **Review and Approval of Related Party Transactions:**

(a) All Related Party Transactions or changes therein must be reported by the Head of Accounts/Finance and to the Company Secretary and referred for the approval/review by the Audit Committee in accordance with this Policy.

(b) **Omnibus Approval:**

(i) The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company in respect of the transactions which are repetitive in nature.

(ii) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;

(iii) Such omnibus approval shall specify (a) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into and (b) the indicative base price / current contracted price and the formula for variation in the price if any (for ex: +/- 5-10%).

In case where the Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for those kinds of transactions, subject to a financial value not exceeding Rs.1 Crore per transaction or such other higher limit as may be prescribed under the applicable law from time to time.

(iv) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year or immediately succeeding meeting of the Audit Committee.

(v) 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 approval given.

(c) If prior approval of the Audit Committee / Board / Shareholders as the case may be, for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee and the Board / general meeting, if required, within 3 months of entering in the Related Party Transaction.

8. **Disclosures**

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

9. 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.

10. Compliance with RPT Policy

- a) Every person associated with RPT shall be accountable for complying with this RPT Policy that may be in force from time to time.
- b) Director or KMP or any other employee, who had entered into or authorised the contract or arrangement in violation of the RPT policy and RPT framework shall be guilty of non-compliance
- c) In case of breach of this policy, Audit Committee and/or the Board of Directors may intimate appropriate action against the person/s responsible.

11. Administrative Measure

The Audit Committee of the Company, subject to supervision of the Board, shall be the Competent Authority for investigating and taking appropriate actions/steps for prevention or remedy of any breach and/or default in complying with this Policy. Any disciplinary action taken by the Audit Committee shall be in addition to the penal provisions of the Regulation.

12. Interpretation

Subject to the superintendence of the Board, this Policy shall be interpreted and administered by the Audit Committee.

13. Process or Standard Operating Process

The Head of Finance/Accounts form/adopt a Standard Operating Process (SOP) as guidance for related party transactions and all the employees and concern persons are required to follow the said SOP.

14. Exemption

Transactions which are governed under the other applicable provisions of the Companies Act, 2013 like Section 185, 186 or 187 of the Companies Act, 2013, shall govern by the respective applicable provisions of the Act.

15. Policy Review

In case of any subsequent changes in the provisions of the Act and the Rules framed thereunder, the Act and its Rules would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law. The Board shall have the right to amend the Policy from time to time, based on recommendations of Audit Committee. The Policy shall be reviewed as and when required, however, it shall be reviewed earlier if need arises for the same and/ or under special circumstances, for example a change in law.
