# VA TECH WABAG LIMITED

## POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS & ON DEALING WITH RELATED PARTY TRANSACTIONS

**Rev 6**

## 1. Preamble

VA Tech Wabag Ltd (the "**Company**" or "**Wabag**" or "**listed entity**") recognizes that Related Party Transactions as defined below can present a risk of actual or conflict of interest and to uphold the highest standards of Corporate Governance has adopted the following policy and procedures with regard to Related Party Transactions.

Therefore, the Board of Directors ("**the Board**") of the Company has adopted the following Policy and procedures with regard to the Related Party Transactions. This policy on materiality of related party transactions and on dealing with related party transactions is to regulate transactions between the Company and its Related Parties based on the laws, rules and regulations as may be applicable on the Company as amended from time to time. The Audit Committee ("**the Committee**")/ the Board would review and amend the policy from time to time as may be applicable.

The original Policy was approved by the Board on November 8, 2014 and adopted/ effective from October 1, 2014.

## 2. Purpose

This policy is framed as per requirement of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "**SEBI LODR 2015**"), read with the provisions of the Companies Act, 2013 and rules made thereunder and relevant Accounting Standard issued by ICAI as amended from time to time and intended to ensure that proper approval and reporting of transactions between the Company and its Related Parties are in place. Such transactions are appropriate only if they are in the best interest of the Company and its Members. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties and to disseminate the Related Party Transactions in the format and manner prescribed under the SEBI regulations to the Stock Exchanges, as applicable.

The policy on materiality of related party transactions and on dealing with related party transactions approved by the Board of Directors shall be reviewed by the Board of Directors at least once in every 3 (three) years w.e.f. April 01, 2019 and updated accordingly.

SEBI vide its Circular No. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/18 dated February 14, 2025, has issued the Industry Standards on "Minimum information to be provided for review of the audit committee and shareholders for approval of a related party transaction". This Policy shall be read and complied in with line with the aforesaid SEBI Circular dated February 14, 2025, as amended from time to time. The Company shall provide, the Audit Committee, with the information as specified in the said Industry Standards on "Minimum information to be provided for review of the Audit Committee and Shareholders for approval of a RPT", while placing any

proposal for review and approval of an RPT. The gist of the minimum information to be placed before the Audit Committee and Shareholders, for their approval, is attached as **Appendix-1**.

## 3. Definitions

1) **"Audit Committee or Committee"** means Committee of Board of Directors of the Company constituted under Regulations of the SEBI LODR 2015 and the Companies Act, 2013.

2) **"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.

3) **"Associate" and / or "Associate Company"** means Party as defined in clause (b) of sub-regulation (1) of the regulation 2 of the SEBI LODR 2015 as amended from time to time and as defined in section 2(6) of the Companies Act, 2013.

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

5) **"Control"** shall have the same meaning as defined in the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended from time to time and includes:
   a. Ownership, directly or indirectly, or more than one half of the voting power of an enterprise or
   b. Control of composition of board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or
   c. A substantial interest in voting power and the power to direct, by statue or agreement, the financial and /or operating policies of the enterprises.

6) **"Industry Standards"** means "Industry Standards on "Minimum information to be provided for review of the audit committee and shareholders for approval of a related party transaction" as issued by the SEBI.

7) **"Key Managerial Personnel (KMP)"** means key managerial personnel as defined under the Companies Act, 2013 and includes:
   (i) the Managing Director, or Chief Executive Officer or manager;
   (ii) the whole-time director;
   (iii) the Company Secretary;
   (iv) the Chief Financial Officer; and
   (v) such other Officer, not more than one level below the directors who is in whole-time employment, designated as KMP by the Board; and such other officer as may be prescribed under the Companies Act, 2013.

Notwithstanding anything contained hereinabove, as per regulation 6 of the SEBI LODR 2015, the Compliance Officer shall be an officer, who is in whole time employment of the listed entity, not more than one level below the board of directors and shall be designated as a KMP.

8) **"Material Related Party Transaction "**means a transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds **rupees one thousand crore (INR 1,000 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 or such limits as may be prescribed either in the Companies Act, 2013 or the SEBI LODR 2015 or by the Audit Committee or by the Board from time to time.

   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 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 last audited financial statements of the listed entity.

9) "**Material Modification**" of related party transaction means any modification to an existing related party transaction having variance of **30%** of the omnibus approval/ limits as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.

10) **"Policy"** means Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions

11) "**Related Party**" means Party as defined in sub-section (76) of section 2 of the Companies Act, 2013 and clause (zb) of sub-regulation (1) of the regulation 2 of the SEBI LODR 2015 as amended from time to time.

12) **'Relative"** means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules made thereunder and regulation 2(1)(zd) of the SEBI LODR 2015, as amended from time to time.

13) **"Related Party Transaction"** means transactions as defined in clause (zc) of sub-regulation (1) of the regulation 2 of the SEBI LODR 2015 as amended from time to time.

**4. Approval Process**

The requirements concerning the Related Party Transactions are covered under both the Companies Act, 2013 and the SEBI LODR 2015 and amendments issued from time to time. The Company is required to comply with the provisions of applicable laws.

All related party transactions and subsequent material modifications shall require prior approval of the Audit Committee of the listed entity, as prescribed under the applicable laws:

Provided that only those Members of the audit committee, who are independent directors, shall approve related party transactions.

Provided further that:

(a) the audit committee of a listed entity shall define "material modifications" and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions and accordingly this is covered under this Policy, as mentioned above;

(b) a related party transaction 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 whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent (10%) of the annual consolidated turnover, as per the last audited financial statements of the listed entity;

(c) with effect from April 1, 2023, a related party transaction 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 whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent (10%) of the annual standalone turnover, as per the last audited financial statements of the subsidiary;

(d) prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of the SEBI LODR 2015 are applicable to such listed subsidiary;

*[Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (d) above, the prior approval of the audit committee of the listed subsidiary shall suffice.]*

(e) 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 sub-regulation (1) of regulation 23 of the SEBI LODR 2015;

(f) The members of the audit committee of the listed entity, who are independent directors, may ratify related party transactions within three (3) 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 (INR 1 Crore);

(ii) the transaction is not material in terms of the provisions of regulation 23(1) of the SEBI LODR 2015;

(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 in terms of the provisions of regulation 23(9) of the SEBI LODR 2015;

(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.

No Member of the Audit Committee shall participate in the review, consideration or approval of any Related Party Transaction with respect to which such Member or any of his or her relatives is a Related Party.

The Approval process to be followed by the Company is listed below:

a. Identification of Related Party Transactions.
b. Review and approval of Related Party Transactions by the Audit Committee.
c. Board approval of Related Party Transactions wherever applicable.
d. Material Related party transactions and its approval.
e. Approval for other than Material Related party transaction.
f. Omnibus approval.

**a. Identification of Potential Related Party Transactions:**

The Company shall at all times identify and maintain a list of all potential Related Party Transactions. The information shall also specifically disclose the following:

i. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
ii. Type, material terms and particulars of the proposed transaction
iii. Tenure of the proposed transaction (particular tenure shall be specified)
iv. Value of the proposed transaction
v. the indicative base price / current contracted price and the formula for variation in the price if any;
vi. The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided)
vii. ***If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:***
    a. details of the source of funds in connection with the proposed transaction
    b. where any financial indebtedness is incurred to make or give loans, intercorporate deposits, advances or investments:
        (i) nature of indebtedness
        (ii) cost of funds; and
        (iii) tenure
    c. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security;
    d. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT; and
    e. Justification as to why the RPT is in the interest of the listed entity

viii. A copy of the valuation or other external party report, if any such report has been relied upon
ix. Percentage of the counter-party's annual consolidated turnover as per the last audited financial statements that is represented by the value of the proposed RPT on a voluntary basis
x. Whether all factors relevant to the contract have been considered including the manner of determining the pricing and other commercial terms if not the details of factors not considered with the rationale for not doing so.
xi. Any other information relevant or important for the Audit Committee or Board to take a decision on the proposed transaction.

**b. Review of Related Party Transactions**

The Audit Committee would review the related party transactions as identified by the Company after considering the disclosure made based on the identified transactions.

In order to approve the related party transaction, the Committee may also consider the following factors among others to the extent relevant to the Related Party Transaction.

1. Whether the related party transaction is fair and on arm's length basis. In reviewing the same, the Committee would also consider the following points:
   a) Compare the existing contracts/agreements and its terms with one or more identical or similar transactions.
   b) Compare the market terms known for such similar transactions. The Committee would also consider the review done by any external consultants/audit firms to base the opinion.
2. Whether there are any alternatives available and the business exigency compelling the Company to enter into such related party transaction.
3. Whether such transactions would affect the independency of KMP/Directors.
4. Whether the proposed related party transaction can be ratified by any law and is sought for the Committee, the reason for not obtaining the prior approval and the relevance of business urgency and whether such ratification is detrimental to the law in force if any.

**If the Committee, after the review, considers fit it may approve the transaction.**

Audit Committee will also review the statement of significant related party transaction submitted by the management. Significant related party transaction shall have the same meaning of material related party transaction.

**c. Board approval of Related Party Transaction**

If the Audit Committee after review of the Related party transaction, decides that specific transaction needs to be brought to the Board's attention or if it is mandatory as per applicable law for the Board to approve such Related Party Transaction, then the Board shall approve the Related Party Transaction at a meeting set forth after considering all the Identification and

Review process as mentioned above with modifications, if any as may be relevant and appropriate under the given circumstances, may approve the Related Party Transaction.

**d. Material Related Party Transaction**

Prior approval of the Members shall be obtained for all the applicable Material Related Party Transactions and subsequent material modifications as per the provisions of the SEBI LODR 2015 and the Companies Act, 2013, as amended from time to time. The Notice being sent to the Members seeking their approval shall include the requisite information as part of Explanatory Statement as may be prescribed under the Companies Act, 2013 and the SEBI LODR 2015 from time to time.
All entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

All the transactions (except for the transactions entered into in the ordinary course of business and are at arms' length basis) exceeds the threshold limits as mentioned in the Table below shall be entered into with the prior approval of the Members of the Company by an Ordinary Resolution:

| Sl. No | Criteria | Monetary Threshold Limits for passing Ordinary Resolution |
|---|---|---|
| 1 | Sale, Purchase or supply of any goods or materials. (Directly or through Agent) | Amounting to or Exceeding 10% of Turnover of the Company. |
| 2 | Selling or otherwise disposing of or buying, property of any kind. (Directly or through Agent) | Amounting to or Exceeding 10% of Net worth of the Company. |
| 3 | Leasing of any property of any kind | Amounting to or Exceeding 10% of Turnover of the Company. |
| 4 | Availing or rendering of any services (Directly or through Agent) | Amounting to or Exceeding 10% of Turnover of the Company. |
| 5 | Appointment of any office or place of profit in the Company, its subsidiary company or associate company | Remuneration exceeds INR 2,50,000 per month. |
| 6 | Underwriting the subscription of any securities or derivatives thereof of the Company | exceeds 1% of Net worth of the Company. |

Provided, further that no Members shall vote on such resolution to approve the Contract or arrangement which may be entered into by the Company if such Member is a related party irrespective of whether the person/entity is a party to the particular transaction or not.

The above conditions shall not apply to a company in which ninety per cent (90%) or more Members, in number, are relatives of promoters or are related parties.

It is hereby clarified that the limits specified in point (1) to (4) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transaction during a financial year.

The Turnover or Net worth referred in the above table shall be Computed on the basis of Audited Financial Statement of the preceding Financial Year.

**e. Approval for Other than Material Related party transaction**

In case of transactions other than Material Related Party Transaction and which meets the criteria of (i) Transaction which are entered into in the ordinary course of business and (ii) transactions which are at arms' length, neither Board approval nor the Ordinary Resolution of disinterested Members would be required.

**f. Omnibus Approval**

The Audit Committee may grant an Omnibus Approval for Related party transactions proposed to be entered into by the Company or its Subsidiary after considering the disclosure made based on the identified transactions and subject to the following Criteria/Conditions:

1) The approval is being sought in respect of Related Party Transactions which are repetitive in nature;
2) The Committee is satisfied that such related party transactions after following through the approval procedure as mentioned above and it would be in the interest of the Company / its Subsidiary to grant such Omnibus approval considering all the factors relevant from time to time;
3) In granting such Omnibus approval, the Committee would specify the following for such approval:
    a) Name of the Related Party/Parties for whom approval is granted;
    b) Nature of transaction;
    c) Period for which transaction is approved;
    d) Maximum amount of transaction(s) for which such approved is granted for the period;
    e) the indicative base price / current contracted price and the formula for variation in the price if any; and
    (f) such other conditions as the audit committee may deem fit.
4) Where the Committee cannot foresee such Related Party Transactions or which could not be identified or foreseen by the Company / its Subsidiary at the time of approval, the Committee may still grant approval subject to the condition that value of such transactions does not exceed rupees one crore (INR 1 Crore) per transaction and the details of such transactions so approved is duly placed before the Committee subsequently;
5) The Omnibus approval shall be valid for a period of 1 (One) year from the date of such approval;

6) The Committee may also grant fresh approval after the expiry of one (1) year after reviewing the transactions and if meets the criteria and as per the law in force from time to time;
7) The Committee would review the details of the related party transactions entered into by the listed entity or its subsidiary on a quarterly basis pursuant to the grant of each Omnibus approval;
8) The Committee shall also review the status of long-term (more than One (1) year) or recurring RPTs on an annual basis.

**g) Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of the Audit Committee and or Members:**

a. A Transaction entered into with the wholly owned subsidiary of the Company whose accounts are Consolidated with the Company and placed before the Members of the Company at the General meeting for approval;
b. Any transaction that involves the providing of compensation/remuneration/sitting fees to Directors, Key Management Personnel and Senior Management Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates including any reimbursement in the form of reasonable business and travel expenses incurred in the ordinary course of business, except who are part of promoter or promoter group, provided that the same is not material;
c. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and where all the holders of such securities receive the same benefits pro rata as the related party;
d. transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the Members at the general meeting for approval;
e. Any transaction by the Company with its employees pursuant to their employment terms and conditions;
f. Such other transactions as may be exempted under applicable laws;
g. Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand.

**5. Related Party Transactions not approved under the Policy**

In the event that the Audit Committee becomes aware of any Related party transaction with a Related party that has not been approved under this Policy prior to its consummation, this matter shall be reviewed by the Audit Committee and shall consider all the relevant facts, options and circumstances including ratification, revision or termination of the Related party transaction. The Audit Committee would also consider the failure to report such transaction before taking appropriate action as may be deemed fit. In case the Audit Committee decides not to ratify any such Related Party Transaction that has already commenced without its approval, then the Audit Committee as may be appropriate direct for such modification in the

Contract/agreement/arrangement but not limited to discontinuation or recession of the transaction.

In connection with any review of related party transaction, the Audit Committee has the authority to modify or waive any procedural requirements of this Policy and as per the law for the time being in force.

**6. Disclosure**

All Related Party Transaction shall be disclosed in the Financial Statement/ Statutory Reports/ Documents as may be required as per the Companies Act, 2013, the SEBI LODR 2015 and relevant Accounting Standard, as may be amended from time to time.

The Company shall submit the disclosures of related party transactions to the Stock Exchanges in the format and manner as may be prescribed by the SEBI from time to time and publish the same on Company's website. Details of all material transactions with related parties shall be disclosed along with the quarterly Corporate Governance Report.

**7. Amendments/ Policy Review**

This policy is framed based on the provisions of the Companies Act, 2013 and rules thereunder and the requirements of the SEBI LODR 2015.

In case of any conflict between the policy and the SEBI LODR 2015 / Companies Act, 2013 or any other statutory enactments and rules thereof or any subsequent changes in the provisions/ regulations and which makes any of the provisions in the policy inconsistent with the Act or regulations, the provisions of the SEBI LODR 2015/ Companies Act, 2013 or statutory enactments and rules thereof shall prevail over this Policy and the provisions in the policy would be modified in due course to make it consistent with law.

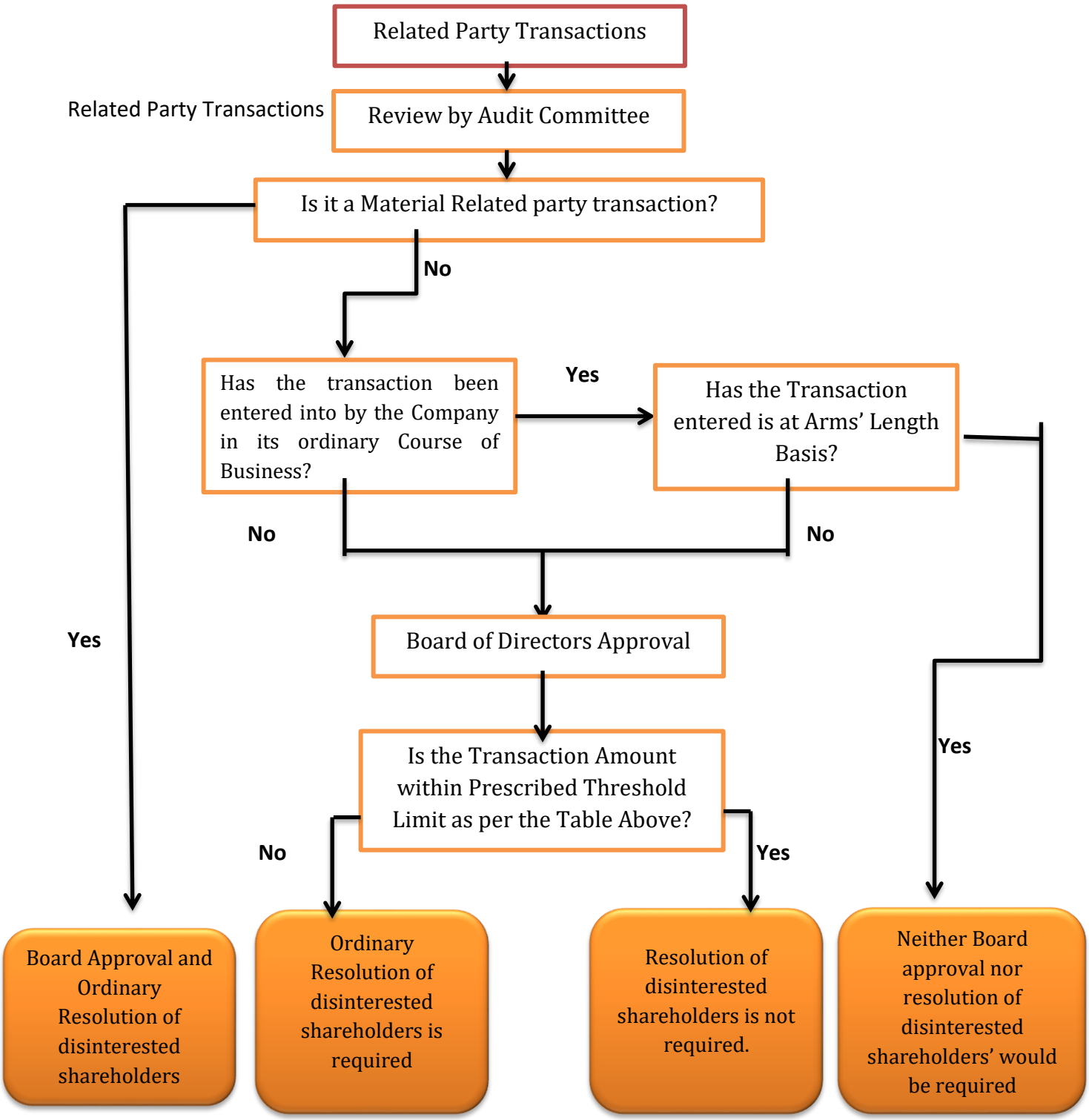
The Audit Committee ("**the Committee**")/ the Board reserves the right to review and amend the policy from time to time as and when required.

**8. Dissemination of policy**

This policy shall be hosted on the website of the Company and a web link shall be provided in the Annual Report of the Company.

## FLOWCHART OF APPROVAL PROCESS FOR RELATED PARTY TRANSACTIONS

**The approval Process is summarized by the following flowchart**



**Annexure to the Related Party Transaction Policy**

The Company / its Subsidiary would also take into the following steps/action during the Implementation and ongoing compliances "

1. Identification of Related Parties
    a. Name of the Related Party
    b. Nature of Relationship

2. Identification of Transactions
    a. Nature of contracts, transactions, Arrangements.
    b. Terms and conditions of contract
    c. Value of Contract
    d. Period of contract.
    e. Justification for entering into such contracts/agreements.

3. Justifying Arm's Length Principle
    a. Back up documents /details to justify Arm's Length Principle.
    b. If not on Arm's length principle, Members approval details.

4. Approval of the Audit Committee/Board/Members
    a. Details of contracts/agreements/transactions approved by the Audit Committee /Board.
    b. Date of approval and conditions of approval if any.

5. Agreements and back up Documentation.
    a. Agreement copies in original duly signed by the respective parties.
    b. Documentation for Invoices/Debit Notes etc. for the transactions made during the year/period.

6. Systems and Review Controls
    a. Review of existing controls and effective monitoring of the related party transactions.
    b. Provide analysis of various related party transactions with deviations if any and subsequent Board approvals/ratifications.
    c. Recommend for any change due to change of law or statue.

7. Disclosure requirements as per the SEBI and the Companies Act, 2013.

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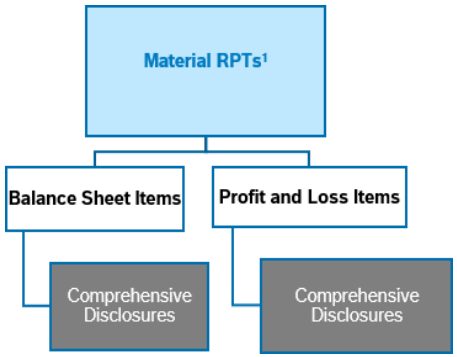
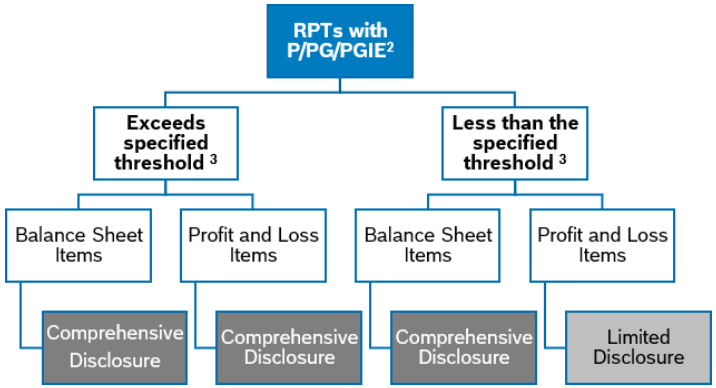
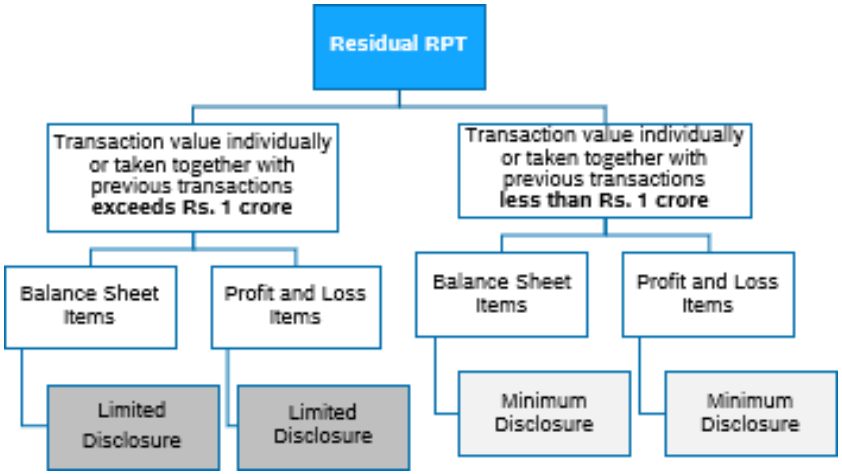
**Original Policy adopted on: October 01, 2014**
**First Revision: February 06, 2016**
**Second Revision: Revision w.e.f. April 01, 2019**
**Third Revision: Revision w.e.f. July 31, 2020**
**Fourth Revision: Revision w.e.f April 01, 2022**
**Fifth Revision: Revision w.e.f December 13, 2024 *(approved on February 07, 2025)***
**Sixth Revision: Revision w.e.f March 28, 2025**

## Appendix 1 - Standards for minimum information to be disclosed for RPT Approval (to Audit Committee / Shareholders)

## RPT Disclosure Matrix




**Balance Sheet Items**

**B(3):** Loans, inter-corporate deposits or advances given by the listed entity or its

subsidiary;

**B(4):** Investment made by the listed entity or its subsidiary;

**B(5):** Guarantee (excluding performance guarantee), surety, indemnity or comfort letter, by whatever name called, made or given by the listed entity or its subsidiary;

**B(6):** Borrowings by the listed entity or its subsidiary; and

**B(7):** Sale, lease or disposal of assets of subsidiary or of unit, division or undertaking of the listed entity, or disposal of shares of subsidiary or associate.

**P&L items**

**B(2):** Sale, purchase or supply of goods or services or any other similar business transaction; and

**B(8):** Payment of royalty.

**Note:**

1: Lower of:

a. Rs. 1,000 crore or
b. 10% of the annual consolidated turnover [Also as per Regn 23(1A), for payments made to a related party with respect to "brand usage or royalty", if it exceeds 5% of annual consolidated turnover of the company]

2: P/PG/PGIE: Promoter, Promoter Group, Person/Entity in which Promoter/Promoter Group has concern or interest.

Promoter or Promoter Group deemed to be concerned or interested, if they in any way, directly or indirectly-

a. Where person is a Body Corporate: holds more than 2% shareholding or voting rights of the body corporate, or is a promoter, managing director, manager, chief executive officer of that body corporate; or
b. Where the person is a firm or other entity, the promoter(s) or the promoter group is a partner owner or member, as the case may be.

3: Lower of:

a. 2% of turnover, as per the last audited consolidated financial statements of the listed entity
b. 2% of net worth, as per the last audited consolidated financial statements of the listed entity, except in case the arithmetic value of the net worth is negative.
c. 5% of the average of absolute value of profit or loss after tax, as per the last three audited consolidated financial statements of the listed entity.

## Minimum Information to be provided to the Audit Committee (as per Para 4 of the standards)

## Details of related party and transactions with the related party

### A(1). Basic details of the related party

- ☐ Name of the related party
- ☐ Country of incorporation of the related party
- ☐ Nature of business of the related party

### A(2). Relationship and ownership of the related party

- ☐ Relationship between the listed entity/subsidiary
- ☐ Shareholding or contribution % or profit & loss sharing % of the listed entity/ subsidiary whether direct or indirect, in the related party.
- ☐ Shareholding of the related party, whether direct or indirect, in the listed entity/subsidiary (in case of transaction involving the subsidiary).

### A(3). Financial performance of the related party

- ☐ Standalone turnover of the related party for each of the last three financial years:
- ☐ Standalone net worth of the related party for each of the last three financial years:
- ☐ Standalone net profits of the related party for each of the last three financial years:

### A(4). Details of previous transactions with the related party

- ☐ Total amount of all the transactions undertaken by the listed entity or subsidiary with the related party during each of the last three financial years. (to be disclosed separately)
- ☐ Total amount of all the transactions undertaken by the listed entity or subsidiary with the related party during the current financial year (till the date of approval of the Audit Committee / shareholders).
- ☐ Whether prior approval of Audit Committee has been taken for the above-mentioned transactions?
- ☐ Any default, if any, made by a related party concerning any obligation undertaken by it under a transaction or arrangement entered into with the listed entity or its subsidiary during the last three financial years.

### A(5). Amount of the proposed transactions (All types of transactions taken together)

- ☐ Total amount of all the proposed transactions being placed for approval in the current meeting.
- ☐ Whether the proposed transactions taken together with the transactions undertaken with the related party during the current financial year is material RPT.
- ☐ Value of the proposed transactions as a percentage of the listed entity's annual consolidated turnover for the immediately preceding financial year.
- ☐ Value of the proposed transactions as a percentage of subsidiary's annual standalone turnover for the immediately preceding financial year (in case of a transaction involving the subsidiary, and where the listed entity is not a party to the transaction)
- ☐ Value of the proposed transactions as a percentage of the related party's annual standalone turnover for the immediately preceding financial year.

Note:

- Comprehensive Disclosure requires disclosures specified at A(1) to A(5)
- Limited Disclosure requires disclosures specified at A(1) to A(5)
- Minimum Disclosure exempts disclosures specified at A(3)

## Minimum Information to be provided to the Audit Committee (as per Para 4 of the standards)

### Details for specific transactions (1/2)

**B(1). Basic details of the proposed transaction**

- Specific type of the proposed transaction (e.g. sale of goods/services, purchase of goods/ services, giving loan, borrowing etc.)
- Details of the proposed transaction
- Tenure of the proposed transaction (tenure in number of years or months to be specified)
- Indicative date / timeline for undertaking the transaction
- Whether omnibus approval is being sought?
- Value of the proposed transaction during a financial year. In case approval of the Audit Committee is sought for multi-year contracts, also provide the aggregate value of transactions during the tenure of the contract. If omnibus approval is being sought, the maximum value of a single transaction
- Whether the RPTs proposed to be entered into are: (i) not prejudicial to the interest of public shareholders, and (ii) going to be carried out on the same terms and conditions as would be applicable to any party who is not a related party.
- Justification for entering into RPT. Demonstrating how the proposed RPT serves the best interests of the listed entity and its public shareholders
- Details of Interested Promoter(s)/Director(s)/KMP-Shareholding, contribution, or % sharing ratio > 2% in the related party; Direct/Indirect Interest.
- Details of shareholding more than 2% of the directors/KMPs/Partners of the related party, directly or indirectly, in the listed entity.

**B(2). Additional Details – Transactions relating to Sale, Purchase or Supply of goods or services or other transactions**

- Number of Bids received; Details of bidders (suppliers/vendors/traders/distributors/service providers) and the bidding process followed for the proposed transaction
- Best Bid Received: Price, terms, and comparison with other bids (if available).
- Difference from the best bid in terms of cost or potential loss.
- Bids Not Invited: Disclosure with justification.
- No Comparable Bids: Basis for recommending RPT terms as beneficial to shareholders.

**B(3). Additional Details – Transactions relating to Loans, Inter-corporate Deposits or Advance given**

- Source of Funds: Details of funding for the proposed transaction
- Financial Indebtedness Details: - Nature of Indebtedness - Total Cost of Borrowing – Tenure - Other Relevant Details
- Material covenants of the proposed Transaction
- Interest Rates Charged (Last 3 Financial Years): -To Related and other parties
- Rate of interest at which Related party is borrowing from its bankers or may be able to borrow basis credit rating/score, standing and financial position.
- Rate of interest at which the listed entity or subsidiary is borrowing from its bankers or may be able to borrow basis credit rating/score, standing and financial position.
- Maturity Date
- Proposed interest rate to be charged by listed entity or its subsidiary from the related party.
- Repayment Schedule & Terms; Secured or unsecured. If secured, nature of security & security coverage ratio.
- Purpose for which the funds will be utilized by ultimate beneficiary
- Latest credit rating of related party
- Total Borrowings (Short and Long term) in last 3 years
- Interest rate paid during last 3 years
- Defaults in last 3 years
- Advances provided: break-up and duration

**B(4). Additional Details – relating to investments made by listed entity or its subsidiary**

- Source of funds in connection with proposed transaction
- Purpose for which funds will be utilized by the investee company
- Details of financial indebtedness incurred to make investment- Nature, Cost of borrowing, Tenure etc.
- Expected annualized returns
- Material covenants of the proposed transaction
- Details of asset-liability mismatch position, if any, post investment. [In case of investments in debt instruments]
- Latest credit rating of the related party
- Returns on past investments in the related party over last 3 years.
- Whether any regulatory approval is required. If yes, whether the same has been obtained.

**B(5). Additional Details - relating to guarantee, surety, indemnity or comfort letter made or given by listed entity or its subsidiary**

- Rationale for giving guarantee, surety, indemnity or comfort letter.
- Material covenants of the proposed transaction including (i) Commission, if any to be received by the listed entity or its subsidiary; (ii) contractual provisions on how the listed entity or its subsidiary will recover the monies,
- Value of obligations undertaken by listed entity or any of its subsidiary for which such G/S/I/CL has been provided. Additionally, any provisions required to be made in the books of account of LE/any of its subsidiary.
- Latest credit rating of the related party and credit enhancement rating, if G/S/I/CL is given in connection with borrowing by a related party.
- Details of solvency status and going concern status of the related party during the last 3 financial years.
- Default on borrowings in the last 3 FYs by the related party from the listed entity or any other person.

Notes:

- Comprehensive Disclosure requires disclosures specified at B(1) to B(5)
- Limited Disclosure exempts disclosures specified in red text and limits disclosure to previous year instead of last 3 FYs for purple text.
- Minimum Disclosure requires disclosures specified only at B(1)

## Minimum Information to be provided to the Audit Committee (as per Para 4 of the standards)

### Details for specific transactions (2/2)

**B(6). Additional details – relating to borrowings by the listed entity or its subsidiary**

- Material covenants of the proposed transaction
- Interest rate (numerical value or base rate and applicable spread)
- Cost of borrowing
- Maturity / due date
- Repayment schedule & terms
- Whether secured or unsecured?
- If secured. Nature of security and security coverage ratio
- Purpose for which funds will be utilized by the listed entity/subsidiary
- Debt to Equity Ratio of the listed entity or its subsidiary based on the last audited financial statements. (Before and After)
- Debt Service Coverage Ratio of the listed entity or subsidiary based on last audited financial statements (Before and after)

**B(7). Additional Details – relating to sale, lease or disposal of assets of subsidiary; or of unit, division or undertaking of the listed entity; or disposal of shares of subsidiary or associate**

- Number of bidders/ suppliers/ vendors/ traders/distributors/service providers along with process followed to obtain bids.
- **Best Bid Received:** Price, terms, and comparison with other bids (if available).
- Difference from the best bid in terms of cost or potential loss to the listed entity or subsidiary.
- **Bids Not Invited:** Disclosure with justification.
- **No Comparable Bids:** Basis for recommending RPT terms as beneficial to shareholders.
- Reasons for sale, lease or disposal of assets of subsidiary or of unit, divisions or undertaking of the listed entity, or disposal of shares of subsidiary or associate.
- Financial track record of subsidiary/ undertaking that is being sold (segment level data for undertaking to be provided during the last 3 FYs. [Turnover, Networth, Net Profit, Net Profit Margin, Operating Cash Flow Margin, Return on Assets (RoA)]
- Expected financial impact on consolidated turnover, net worth and net profits of the listed entity or its subsidiary due to sale of the subsidiary / undertaking.
- Details of earlier sale, lease or disposal of assets of the same subsidiary or of the unit, division or undertaking of the listed entity, or disposal of shares of the same subsidiary or associate to any related party during the preceding 12 months.
- If transaction would result in issue of securities or consideration in kind to a related party? Details, if yes.
- If transaction would result in eliminating a segment reporting by the listed entity or any of its subsidiary.
- If it involves transfer of key intangible assets or key customers critical for continued business of listed entity or any of its subsidiary.
- Any other non-financial reasons for the proposed transaction.

**B(8). Additional Details – relating to payment of royalty**

- Gross amount of royalty paid by the listed entity or subsidiary to the related party during each of the last 3 FYs.
- Purpose for which royalty was paid to related party during last 3 FYs. (Brand name/Trademark, Transfer of Technology Know-how, Professional fee, corporate management fee or any other fee etc.)
- Purpose for which royalty is proposed to be paid to the related party in the current financial year.
- Royalty paid in last 3 FYs as %of Net Profits of the previous FYs.
- Dividend paid in last 3 FYs as %of Net Profits of previous FYs
- Royalty and dividend paid or proposed to be paid during the current FY.
- Rate at which royalty has increased in the past 5 years, vis-a-vis rate at which the turnover, profits after tax and dividends have increased during the same period.
- In case of new technology i.e. first year of technology transfer: (i) Expected duration of tech transfer; (ii) Benefits derived from the tech transfer (to be provided separately for each new technology)
- In case of existing technology i.e. technology being imported: (i) Years since tech transfer initiated; (ii) Expected duration of tech transfer; (iii) Benefits derived from the tech transfer (to be provided separately for each existing technology)

**B(8). Additional Details – relating to payment of royalty (continued)**

- Details of in-house research & development: (i) Total expenses incurred during the preceding FY; (ii) Benefits derived; (iii) if any in-house R&D undertaken by listed entity or subsidiary to reduce or eliminate royalty currently paid for any tech or technical know-how. Additionally, absolute value of R&D expenditure incurred by Listed Entity or subsidiary on in-house R&D along with period required to complete research to achieve reduction or elimination of royalty.
- If royalty is paid to parent company, disclose royalty received by parent company from foreign entities: (i) Minimum rate of royalty charged along with corresponding absolute amount; (ii) Maximum rate of royalty charged along with corresponding absolute amount)

  (Note: disclosure on gross basis (cost to company) including taxes paid on behalf of the recipient of royalty. Also, no disclosure required if royalty charged by parent on uniform rate from all group companies)
- Peer comparison: Listed entity or its subsidiary paying royalty shall also disclose whether any industry Peer pays royalties for the same purpose, which is disclosed in its audited annual financial statements for the relevant period. *[More details on 'Peer Comparison' given in next Slide]*
- Sunset clause for Royalty payment
- Royalty paid or payable for imported technology, along with the turnover attributable to such technology.
- Royalty paid or payable for brands or other intangible assets, along with the turnover attributable to their use.

Notes:

- Comprehensive Disclosure requires disclosures specified at B (6) to B (8)
- Limited Disclosure exempts disclosures specified in red text.
- Minimum Disclosure exempts disclosures specified at B (6) to B (8)

## Standards for minimum information to be disclosed for RPT Approval

## Criteria for selecting Industry Peers for comparison

- **Comparison Requirement:**

  Minimum of 3 Industry Peers (where feasible)

  In case, fewer than three Industry Peers: Listed Entity will disclose that only one/two peers are available for comparison.

- **Selection Hierarchy:**

  First Preference: Indian Listed Industry Peers

  Second Preference: Global Listed Peers (If India Listed Peers not available)

  Third Preference: Research Analyst Peer Set* (If both Indian and Global Listed Peers are unavailable)

  **Peer group considered by SEBI-registered research analysts in their publicly available research reports.*

  Note: If listed entity's business model differs from such Research Analyst Peer Set, listed entity may provide an explanation to clarify the distinction.

## Minimum Information to be provided to the Shareholders (as per Para 5 of the standards)

## Information to be disclosed as part of the explanatory statement

- Requirements under Companies Act, 2013
- Information placed before the Audit Committee (as per Para 4 of the Standards)
  - The Audit Committee has the authority to redact (i.e. remove) certain sensitive information such as commercial secrets and other such information that would affect competitive position of the listed entity from disclosure to the shareholders.
  - However, Audit Committee must certify that in its assessment, the redacted disclosures still provide all necessary information to the public shareholders for informed decision-making.
- Justification, why the proposed transaction is in the interest of the listed entity.
- Statement of Assessment by the Audit Committee that:
  - Relevant disclosures for decision making were placed before them
  - They have determined that promoters will not benefit from RPT at the expense of public shareholders
- The fact that the Audit Committee has reviewed the certificate provide by:
  - the CEO/CFO/or any other KMP; and
  - the promoter directors of the Listed entity

  *Certificate to specify:*
  *(i) RPTs are not prejudicial to the interest of public shareholders; and*
  *(ii) Terms and conditions of the RPT are not unfavorable compared with similar transaction with unrelated party*
- Copy of the Valuation report or other reports of the external party, considered by the Audit Committee
- In case of transaction specified at B2 *(sale, purchase, or supply of goods or services)* or B7 *(sale, lease, or disposal of assets of a subsidiary, unit, division, or undertaking), if the Audit Committee has reviewed the terms and conditions of bids from unrelated parties; and in case bids not been invited, justification thereof and in case comparable bids are not available, the basis for recommending that the terms of the RPT are beneficial to the shareholders.*