



PNC INFRA TECH LIMITED

POLICY ON MATERIALITY AND DEALING WITH RELATED PARTY TRANSACTIONS



PNC INFRATECH LIMITED

1. INTRODUCTION

The Board of Directors (the “Board”) of PNC Infratech Limited (the “Company”) has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee will review and may amend this policy from time to time.

This policy will be applicable to the Company from the date of listing. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company and also provides for materiality of related party transactions.

2. PURPOSE

This policy is framed as per requirements of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (LODR Regulations) and the Companies Act, 2013.

3. DEFINITIONS

“**Act**” means Companies Act, 2013 and the rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.

“**Audit Committee or Committee**” means “Audit Committee” constituted by the Board of Directors of the Company under provisions of LODR Regulations and Companies Act, 2013, from time to time.

“**Board of Director**” or “**Board**” means the Board of Directors of PNC Infratech Limited, as constituted from time to time.

“**Key Managerial Personnel**” or “**Key Management Personnel**” means Key Managerial Personnel as defined under the Companies Act, 2013 and the Rules made there under.

“**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. For determination of Arm’s Length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.

“**Company**” means PNC Infratech Limited.

“**Material Related Party Transaction**” means any transaction with a related party if the transaction/transactions to be entered into individually or taken together with previous transaction during the financial year, exceeding ten percent of annual consolidated turnover of the company as per the last audited financial statements of the company.

Notwithstanding the above, a transaction involving payment made to 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 transaction during the financial year, exceeding two percent of annual consolidated turnover of the company as per the last audited financial statements of the company.

“**Policy**” means Related Party Transaction Policy.

“Related Party” means a person or an entity:

- i) Which is related party under section 2(76) of Companies Act, 2013;or**
- ii) Which is related party under the applicable accounting standards**

Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.

“Related Party Transaction” is a transfer of resources, services or obligations between a company and a related party, 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 and also includes transactions as per Section 188(1) of Companies Act, 2013.

“Relatives”: “Relative”, with reference to any person, means anyone who is related to another, if—

- i. they are members of a Hindu Undivided Family;
- ii. They are husband and wife; or
- iii. One person is related to the other in such manner as may be prescribed, which is as follows:
 - a) Father (including step-father)
 - b) Mother (including step-mother)
 - c) Son (including step-son)
 - d) Son’s wife
 - e) Daughter
 - f) Daughter’s husband
 - g) Brother (including step-brother)
 - h) Sister (including step- sister)

4. POLICY

All Related Party Transactions must be reported to the Audit Committee for its approval in accordance with this Policy.

4.1 Identification of Potential Related Party Transactions

Each Director and Key Managerial Personnel is responsible for providing Notice to the Board / Audit Committee of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Board/Audit Committee may reasonable require. The Board / Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

4.2 Review and Approval of Related Party Transactions

AUDIT COMMITTEE

Every Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by circulation. However, the Audit Committee may grant omnibus approval for Related Party transactions proposed to be entered into with the Company which are repetitive in nature and are in ordinary course of business and on arm’s length basis, subject to compliance of the conditions contained in LODR Regulations. Any member of the



Committee who has a potential interest in any Related Party Transaction shall not vote to approve that particular Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transactions, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. The information provided shall specifically cover the following:

- i. the name of the related party and nature of relationship;
- ii. the nature, duration of the contract and particulars of the contract or arrangement;
- iii. the material terms of the contract or arrangement including the value, if any;
- iv. any advance paid or received for the contract or arrangement, if any;
- v. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- vi. whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors;
- vii. the persons/authority approving the transaction; and
- viii. any other information relevant or important for the Committee to take a decision on the proposed transaction.

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 undue compelling business reasons 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 the directors/KMP;
- 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. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, there as on for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company; 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 director in direct 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.

BOARD

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

However, transactions which have been entered into by the Company in its "ordinary course of business" and which are on "arm's length" basis are exempted.

Shareholders:-

All the material Related Party Transaction shall require approval of the shareholders through resolution and no Related Party/ies shall vote to approve such resolutions whether the entity is the related party to the particular transaction or not.

The company shall not enter into a transaction or transactions, other than material related party transactions, except with the prior approval of the company by a resolution, where the transaction or transactions to be entered into in respect of-

- (a) Sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to **ten percent or more of the turnover** of the company or **rupees one hundred crore**, whichever is lower;
- (b) Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to **ten percent or more of net worth** of the company or **rupees one hundred crore**, whichever is lower;
- (c) Leasing of property any kind amounting to **ten percent or more of the net worth** of company or **ten per cent or more of turnover** of the company or **rupees one hundred crore**, whichever is lower;
- (d) Availing or rendering of any services, directly or through appointment of agent, **amounting to ten percent or more of the turnover** of the company or **rupees fifty crore**, whichever is lower;

Explanation - It is hereby clarified that the limits specified in sub-clause (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

- (e) Appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration **exceeding two and a half lakh rupees**.
- (f) Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company **exceeding one percent of the net worth**.

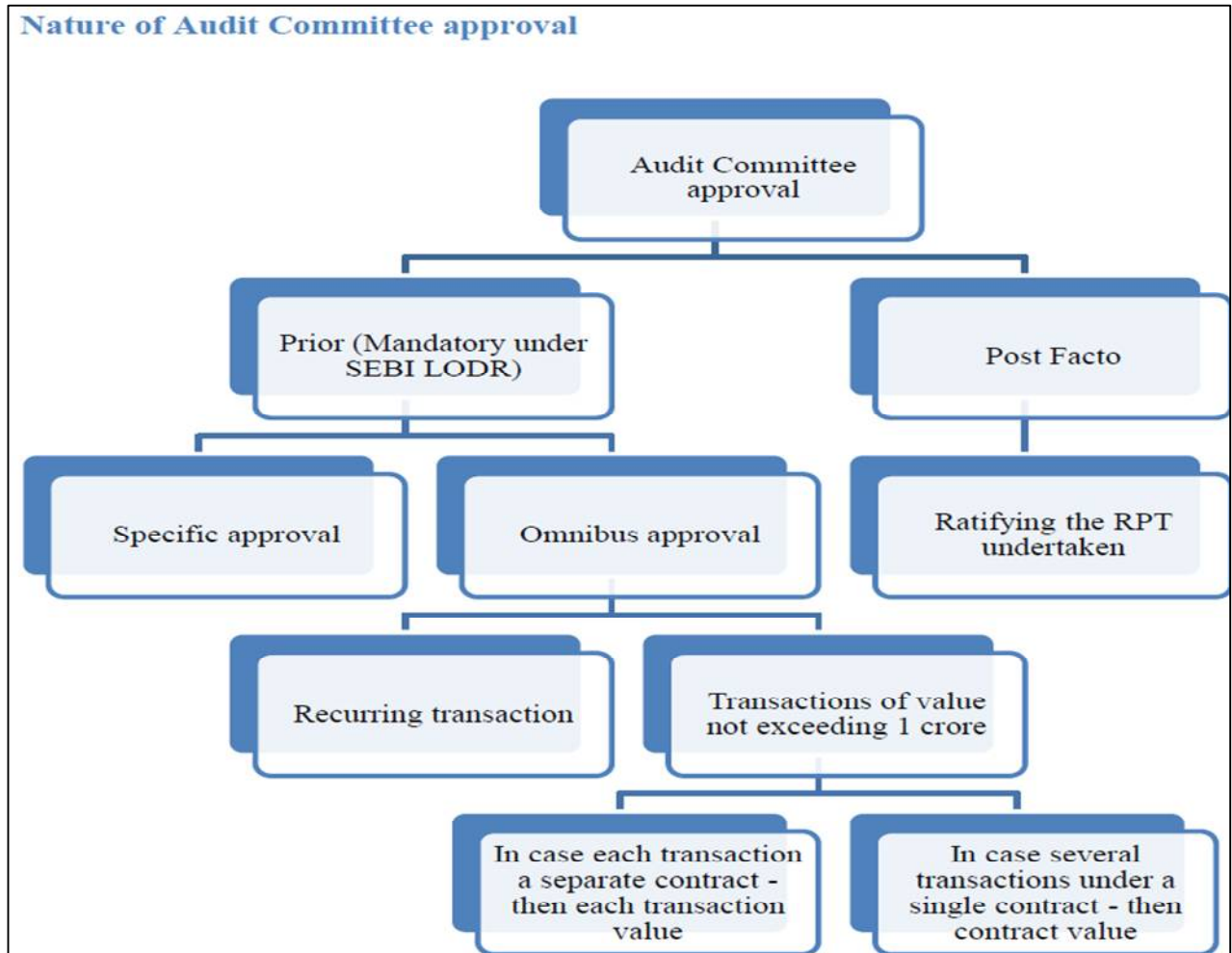
Provided that the requirement of approval of shareholder shall not apply in respect of a resolution plan approved under section 31 of IBC, subject to the event being disclosed to the stock exchange within one day of the resolution plan being approved.

All the transactions, other than Material Related Party Transactions, with the Related Parties which are not in the ordinary course of business or at Arm's Length basis shall also require the approval of the shareholders through resolution if so required under any law and the Related Parties shall not to vote to approve such resolution irrespective of whether the entity is a party to the particular transaction or not.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

- i. Any transaction that involves the providing of compensation to a Director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- ii. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

- iii. Any transaction entered into with its wholly owned subsidiary whose accounts are consolidated with such holding Company and placed before the shareholders at the general meeting for approval.



4.3 Decision regarding transaction in ordinary course of business and on arm's length basis

The Audit Committee or the Board shall, in respect of the related party transactions referred to them for approval, shall after considering the materials placed before them, shall judge if the transaction is the ordinary course of business or at arm's length basis. In case the Audit Committee is not able to arrive at such a decision, the same shall be referred to the Board, which shall decide if the transaction is the ordinary course of business or at arm's length basis. In case the Board is not able to arrive at such a decision, the same shall be decided by the Independent Directors, whose decision shall be final.

5. 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 under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The 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 Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the 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 Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or rescission 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 of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

6. Amendments/Review to the Policy

The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend / review this Policy, as and when deemed fit or at least once in every three years and shall be updated accordingly. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

7. Disclosure(s)

Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance. The Company shall disclose the policy on dealing with Related Party Transactions and material subsidiary on its website and also in the Annual Report. Furthermore, all the related party transactions shall be disclosed in the Annual Report of the Company.

The Company shall submit within 30 days from the date of publication of its standalone and consolidation financial results for the half year, disclosure of related party transaction on a consolidated basis, in the format specified in the relevant accounting standard for annual results to the stock exchange and same shall be published in the website of company at www.pncinfratech.com.

This Policy will be communicated to all operational employees and other concerned persons of the Company and shall be placed on the website of the Company at www.pncinfratech.com.

This Policy on Materiality and Dealing with Related party Transactions has been approved by the Board of Directors on 20.08.2014 which became effective from the same day. This Policy has been last revised on 13.02.2019. This Policy shall be displayed on the website of the Company.

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