



A2Z INFRA ENGINEERING LTD.

POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS

(Pursuant to SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 as amended from time to time)

PREAMBLE

The Board of Directors (the "Board") of A2Z Infra Engineering Limited. (the "Company" or "A2Z"), has adopted the following policy and procedures with regard to **Policy on Materiality of and Dealing with Related Party Transactions** as defined below.

Securities and Exchange Board of India has notified Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time ("SEBI (LODR) Regulations"). These regulations require every listed Company to have a Policy on materiality of and Dealing with Related Party Transactions.

The Board of Directors ("the Board") of the Company understands the importance of stakeholders' confidence and trust in the Company. Considering the requirements of Companies Act 2013 read with Rules drafted thereunder and Regulation 23(1) SEBI (LODR) Regulations and, there is a need for proper identification, conduct and documentation of the Related Party Transactions (RPT).

In order to ensure transparency in Related Party Transactions and avoidance of conflict of interest with the stakeholders, the Board of Directors, acting upon recommendation of Audit Committee of the Company ("the Committee"), has adopted the following policy and procedure with respect to materiality of and dealing with Related Party Transactions of the Company.

APPLICABILITY

The amendments to this policy applies to all Related Party Transactions entered into by the Company and shall be applicable from 1st April 2019.

PURPOSE

This policy is framed as per requirement of Section 188 of the Companies Act, 2013 and Regulation 23(1) of SEBI (LODR) Regulations, and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its Shareholders. The Company is required to disclose related party transactions on a consolidated basis for the half year in the financial results and each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

The policy also seeks to ensure that related party transactions are appropriately reported to the regulatory authorities and are also in compliance with other regulatory requirements like the Income Tax Act, 1961, the Accounting Standards, etc.

DEFINITIONS

In this Policy, unless the context otherwise requires,-

- a. **“Act”** means Companies Act, 2013.
- b. **“Arm’s length price”**, pursuant to Income tax Act, 1961, OECD guidelines, Advance Rulings from tax authorities, judicial pronouncements), and other applicable provisions from time to time, means a price which is applied or proposed to be applied in a transaction between persons other than associated enterprises, in uncontrolled conditions;
- c. **“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.
- d. **“Associate Company”** means any other company, in which the 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, “significant influence” means Control of at least twenty per cent of total share capital, or of business decision under an agreement.

- e. **“Audit Committee or Committee”** means Committee of Board of Directors of the Company constituted under provisions of SEBI (LODR) Regulations and Companies Act, 2013.
- f. **“Board”** means Board of Directors of the Company.
- g. **“Company”** means A2Z Infra Engineering Ltd.
- h. **“Control”** shall include the right to appoint majority of the Directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner:

Provided that a Director or Officer of a target company shall not be considered to be in control over such target company, merely by virtue of holding such position;

- i. **“Key Managerial Personnel”** means managerial personnel as defined under sub section 51 of section 2 of the Companies Act, 2013 and includes:
 - i. Managing Director, or Chief Executive Officer or manager and in their absence, a whole- time director;
 - ii. Company Secretary; and
 - iii. Chief Financial Officer
 - iv. 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
 - v. such other officer as may be prescribed

- j. **“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 transactions during a financial year, exceeding ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

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 into individually or taken together with previous transactions during a financial year, exceed two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

- k. **“Policy”** means Policy on materiality of and dealing with Related Party Transactions as originally framed or as altered from time to time.

- l. **“Related Party”** means related party as defined in SEBI (LODR) Regulations, which is as follows:

“Related party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or 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 under Section 2(76) of the Companies Act, 2013:

- (i) a director or his relative ;
- (ii) a key managerial personnel or his relative ;
- (iii) a firm, in which a director, manager or his relative is a partner ;
- (iv) a private company in which a director or manager or his relative is a member or director ;
- (v) a public company in which a director and manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital ;
- (vi) any body corporate whose Board of directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager ;
- (vii) any person under whose advice, directions or instructions a director or manager is accustomed to act:
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) any body corporate which is -
 - (A) a holding, subsidiary or an associate company of such company ; or
 - (B) a subsidiary of a holding company to which it is also a subsidiary ;
 - (C) an investing company or the venturer of the company.

Explanation. – For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

- (ix) Director, other than an independent director, or Key Managerial Person of the holding company or his relative shall be deemed to be related party;
- (x) An entity which is related party under the applicable accounting standards.

m. **"Related Party Transaction"** as per SEBI LODR, means a transfer of resources, services or obligations between a listed entity 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 includes the transactions as defined under Section 188 of the Companies Act, 2013.

m. **"Relative"** means relative as defined under sub section 77 of Section 2 of the Companies Act, 2013 read with Companies (Specification of definitions details) Rules, 2014 and includes anyone who is related to another, if –

- i. They are members of a Hindu undivided family;
- ii. They are husband and wife; or
- iii. Father (including step-father)
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son's wife
- vii. Daughter
- viii. Daughter's husband
- ix. Brother (including step-brother)
- x. Sister (including step-sister)

POLICY

All Related Party Transactions needs to get prior approval of the Audit Committee for its compliance with the policy.

• Identification of Potential Related Party Transactions

Each Director and Key Managerial Personnel is responsible for providing notice to the Board 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 require. 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/Board has adequate time to obtain and review information about the proposed transaction.

- **Prohibitions related to Related Party Transactions**

All Related Party Transactions shall require prior approval of Audit Committee. Further, all Material Related Party Transactions shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Provided that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

- **Review and Approval of Related Party Transactions**

Audit Committee:-

Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions, namely -

- (a) the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;
- (b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;
- (c) 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.**

- (d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.
- (e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential

interest in any Related Party Transaction will be abstained from discussion and voting on the approval of the Related Party Transaction.

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

In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- Whether the terms of the Related Party Transaction are 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;
- Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- Whether the Related Party Transaction would affect the independence of an Independent Director;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and

Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, 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.

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 the 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 an "arm's length" basis are exempted.

The Company shall enter into any contract or arrangement with a Related Party subject to the following conditions, namely:

As per the provisions of Section 188 of the Companies Act, 2013 and Rule 15 of the Companies (Meeting of Board and its Powers) Rules 2014, the agenda of the Committee /Board meeting at which the resolution is proposed to be moved shall disclose:

- 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 along with justification
- 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; and
- vii. Any other information relevant or important for the Board to take a decision on the proposed transaction
- viii. Where any Director is interested in any contract or arrangement with a related party, such Director shall not be present at the meeting during discussion on the subject matter of the resolution in relates to such contract or arrangement.

Provided also that the requirement of passing the board resolution shall not be applicable for transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Shareholders:-

All material related party transactions shall require approval of Shareholders through resolution and company shall not enter into a transaction or transactions, except with the prior approval of the company by a resolution, where the transaction or transactions to be entered into,-

- (a) As contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188, with criteria as mention below-
 - (i) 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;
 - (ii) 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;
 - (iii) 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;

(iv) 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.

(b) Is for 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.

(c) Is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth.

Explanation.- (1) The turnover or net worth referred in the above sub-rules shall be computed on the basis of the audited financial statement of the preceding financial year.

(2) In case of wholly owned subsidiary, the resolution is passed by the holding company shall be sufficient for the purpose of entering into the transaction between the wholly owned subsidiary and the holding company.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee, Board 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.

RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its adoption, 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 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, immediate discontinuation or rescission of the transaction.

In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

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AMENDMENTS TO THE POLICY

The Board of Directors on its own and/or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. 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.

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.

Note: This Policy will be communicated to all operational employees and other concerned persons of the Company.