

Sulabh Engineers and Services Limited

POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS

1. PREFACE

The Board of Directors of “SULABH ENGINEERS AND LIMITED” has adopted the following policy and Procedures with regard to Related Party Transactions as given below.

This policy is to regulate transactions between the Company and its Related Parties based on the laws and regulations as applicable to the Company.

2. Objective

This Policy is framed in accordance with the provisions of **Regulation 23** of the SEBI LODR Regulations (as amended) and the listing agreement entered into by the Company with the Stock Exchange. The objective is to regulate related party transactions to ensure transparency, fairness, and accountability in all such dealings and avoid conflicts of interest.

3. Definitions

“Arm’s Length Transaction” A transaction between two related parties that is conducted as if they were unrelated, ensuring that there is no conflict of interest.

“Audit Committee” The Audit Committee constituted by the Board of Directors of the Company in accordance with the provisions of the Companies Act, 2013 and SEBI LODR Regulations.

“Board of Directors” or “Board”, in relation to a company, means the collective body of the Directors of the company;

“Key Managerial Personnel (KMP)” in relation to a company, means—

- (i) the Chief Executive Officer or the managing director or the manager;
- (ii) the company secretary;
- (iii) the whole-time director;
- (iv) the Chief Financial Officer;
- (v) such other officer, not more than one level below the Directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- (vi) such other officer as may be prescribed;

“Material Related Party Transaction” A Related Party Transaction shall be considered **material** if:

- The transaction(s) to be entered into individually or taken together with previous transactions during a financial year, **exceeds ₹1,000 crore or 10%** of the annual consolidated turnover of the Company as per the **last audited financial statements**, whichever is **lower**.
- In case of transactions involving **payments made to a related party** with respect to **brand usage or royalty**, if the transaction(s) exceed **5% of the annual consolidated turnover**, such transactions shall be considered **material**.

“Material Modification” Any modification to an approved Related Party Transaction, which exceeds **10%** of the approved value of such transaction.

“Related Party” with reference to a company, means—

- (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 1[or his relative] is a member or director;
- (v) a public company in which a director or manager 2[and holds] is a director or 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 on 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 company 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) such other person as may be prescribed;

Additionally, as per amended SEBI LODR Regulations:

(a) Any person or entity forming part of the **promoter** or **promoter group** of the listed entity; or

(b) Any person or entity holding:

- **20% or more** of equity shares in the listed entity; or
- **10% or more**, with effect from April 1, 2023, either directly or on a beneficial interest basis under Section 89 of the Companies Act, 2013, at any time during the immediately preceding financial year, **shall be deemed a related party**.

“Related Party Transaction (RPT)” Shall mean any transaction involving a transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged, and includes transactions defined under:

- Section 188 of the Companies Act, 2013;
- Regulation 2(zc) of the SEBI LODR Regulations.

4. POLICY FRAMEWORK

4.1 Identification of Potential Related Party Transactions

Each Director and Key Managerial Personnel (KMP) shall disclose any potential RPT involving themselves or their relatives to the Board or Audit Committee. Disclosures should include all relevant information about the transaction as required by the Audit Committee/Board.

“The company shall provide the audit committee with the information as specified in the Industry Standards on “Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions”, while placing any proposal for review and approval of an RPT.

“The notice being sent to the shareholders seeking approval for any RPT shall, in addition to the requirements under the Companies Act, 2013, include the information as part of the explanatory statement as specified in the Industry Standards on “Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions.

The company shall include the matters (as per the applicability) as prescribed by the SEBI under minimum information to be provided to the Committee or to the Shareholders (as the case may be)”

4.2 Approval Requirements

- **All RPTs must be approved by the Audit Committee** prior to their execution.
- **All Material RPTs** shall require approval of the **shareholders through a special resolution**, and the concerned Related Parties shall abstain from voting.
- **Members of the Audit Committee who are Related Parties** shall abstain from voting on the relevant RPT.

4.3 Exemptions from Approval Requirements

The following RPTs shall not require approval of the Audit Committee or shareholders:

- Transactions involving payment of compensation to a Director or KMP in connection with their duties, including reimbursement of business and travel expenses.
- Transactions in which the Related Party's interest arises solely from ownership of securities and all holders receive the same benefits pro-rata.
- Transactions between the Company and its **wholly-owned subsidiaries**, if the accounts are consolidated and placed before the shareholders for approval.

5. REVIEW AND APPROVAL PROCESS

All Related Party Transactions shall be placed before the Audit Committee for prior approval.

The Committee shall review the following:

- Whether the transaction is on an **arm's length basis**;
- Whether the terms are **fair and reasonable**;
- The **business rationale** for the transaction;
- **Conflict of interest** concerns, including the effect on the independence of directors;
- Whether the transaction was pre-approved or not and reasons for failure to obtain such approval;
- Any other factors deemed relevant by the Committee.

If the Audit Committee determines that a transaction should be brought before the Board or is required by law to be approved by the Board, the above factors shall also apply to the Board's review and decision.

6. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

If an RPT is undertaken without prior approval or is not in accordance with this Policy:

- The matter shall be reviewed by the Audit Committee.
- The Committee may ratify, revise or terminate the transaction.
- The Committee shall also evaluate the reasons for non-compliance and recommend appropriate corrective actions, which may include rescission of the transaction.
- The Committee is empowered to **waive or modify** procedural requirements in the interest of the Company.

7. DISCLOSURES AND DISSEMINATION

In accordance with Regulation 23 of SEBI LODR Regulations:

- This Policy, including any amendments, shall be disclosed on the Company's website.
- A web link to the Policy shall be provided in the Company's **Annual Report**.

8. AMENDMENTS

This Policy shall be reviewed from time to time and amended as deemed necessary by the Board in line with regulatory updates or changes in Company operations. Any statutory amendments or modifications shall automatically be deemed to be incorporated into this Policy without requiring specific approval.

(Earlier revised on 05/07/2025)

(Last revised on 11/11/2025)