

RITES LIMITED

RELATED PARTY TRANSACTIONS - POLICY & PROCEDURES

1. Preamble

- 1.1. RITES Limited ("**RITES**" or "**Company**") is committed to uphold the highest ethical and legal conduct in fulfilling its responsibilities and recognizes that related party transactions can present a risk of actual or apparent conflict of interest of the directors, senior management etc. with the interest of RITES.
- 1.2. The board of directors of RITES (the "Board of Directors" or "Board") adopts the following policy and procedures (the "Policy") with regard to Related Party Transactions ("RPT") as defined below, in compliance with the requirements of Section 188 of the Companies Act 2013 and rules made there under and any subsequent amendments thereto from time to time and the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 as amended from time to time ("SEBI Listing Regulations"), and such other regulatory provisions, as may be applicable in order to ensure timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties (as defined below).

2. Objective

- 2.1. This Policy is intended to ensure systematic identification, approval and / or reporting of transactions as applicable, between RITES and any of its Related Party in the best interest of RITES and its stakeholders. Provisions of this Policy are designed to govern the transparency in identification and approval process as well as disclosure requirements to ensure fairness in the conduct of Related Party Transactions, in terms of the applicable laws. This Policy shall supplement other policies of RITES that may be in force for identification, approval and / or reporting of transactions with related persons.
- 2.2. The audit committee of RITES, shall review, approve and ratify Related Party Transactions based on this Policy in terms of the requirements under the above provisions. The Board of Directors reserve the power to review and amend this Policy from time to time. Any exceptions to the Policy on Related Party Transactions shall be consistent with the Companies Act 2013, including the rules promulgated there under and the SEBI Listing Regulations and shall be approved in the manner as may be decided by the Board of Directors.

SCOPE

3. Transactions Covered by this Policy

- 3.1. A transaction covered by this policy includes any contract or arrangement with a related party with respect to transactions defined hereunder as "Related Party Transaction".
- 3.2. Provided further that any transaction entered into by RITES with Related Party in its ordinary course of business and on an arm's length basis, shall be periodically reported to the Audit Committee.

4. Definitions

- 4.1. "**Act**" means the Companies Act, 2013, to the extent notified.
- 4.2. "**Associate Company**", in relation to another company, means a company in which RITES has a significant influence but which is not a subsidiary company of RITES having such influence and includes the joint venture companies of RITES if any.

Explanation: For the purpose of this clause,—

- (a) the expression "significant influence" means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement;
 - (b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;
- 4.3. "**Audit Committee**" means a committee of the board of directors of RITES constituted under provisions of the Act and SEBI Listing Regulations.
 - 4.4. "**Control**" includes 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 RITES shall not be considered to be in control over such company, merely by virtue of holding such position;

- 4.5. "**Key Managerial Personnel**" means key managerial personnel as defined in subsection (51) of section 2 of the Companies Act, 2013.
- 4.6. "**Office or place of profit**" means any office or place
 - (i) where such office or place is held by a director, if the director holding it, receives from RITES anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

- (ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it, receives from RITES anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

4.7. "Related Party" - Related Party means a Related Party as defined under:

- (A) Section 2(76) of the Companies Act, 2013; and
- (B) Indian Accounting Standard (IND AS) 24 as notified by the Central Government.

4.8 Related Party Transactions:

Transactions covered under this policy includes any contract or arrangement with a related party with respect to transactions defined as "Related Party Transactions" under Section 188 of the Companies Act, 2013 ,Regulation 2(zc) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as per Indian Accounting Standard (IND AS) 24 as notified by the Central Government.

4.9. "Relatives" - with reference to Director or Key Managerial Personnel of RITES, 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 the following manner, namely:-
 - 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

4.10. "Transactions on arm's length basis" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

5. Approval of Related Party Transactions

- 5.1. Contracts or agreements as specified in Column A require Board's approval while Limits specified in Column B with respect to such Contracts or agreements require shareholders ' approval. Any change in these limits by the Govt will deemed to be incorporated therein:

Sr. No	Column A (Nature of Transactions)	Column B (Threshold Limits)
1.	Sale, purchases or supply of any goods or materials, directly or through appointment of agent	Amounting to 10% or more of the turnover of the Company or Rs. 100 Crore or more, whichever is lower; For the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.
2.	Selling or otherwise disposing of, or buying property of any kind, directly or through appointment of agent	Amounting to 10% or more of the net worth of the Company or Rs. 100 crore, whichever is lower; For the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year
3.	Leasing of property of any kind	Lower amongst the following: (i) amounting to 10% or more of the net worth of the Company ; or (ii) 10% or more of the turnover of the Company; or (iii) Rs. 100 crore, whichever is lower; For the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.
4.	Availing or rendering of any services, directly or through appointment of agent	Amounting to 10% or more of turnover of the Company or Rs. 50 crore, which ever is lower; For the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year
5.	For appointment to any office or place of profit in the Company, its subsidiary company or Associate Company	Where monthly remuneration exceeds Rs. 2,50,000
6.	Remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company	For amount exceeding 1% of net worth of the Company

(b) As per the SEBI Listing Regulations

In terms of Regulation 23 (4) of the Listing Regulations, all **material Related Party Transactions** other than the following shall require approval of the shareholders through resolution and no related party shall vote to approve the relevant transaction on such resolutions whether the entity is a related party to the particular transaction or not.

- (i) transactions entered into between two government companies;
- (ii) 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.

Material Related Party Transactions means those transactions entered into with RITES by a related party, individually or taken together with previous transactions during a financial year, exceeds 10 percent of the annual consolidated turnover as per the last audited financial statements of RITES. Further 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.

6. Identification of potential Related Party Transactions

- 6.1. **The concerned Directors/ KMPs/ Executive Directors/ functional / departmental head shall ensure that their notice of any potential Related Party Transactions is delivered well in advance to the Audit Committee and Board, so that Board and Audit Committee both has time to obtain and review information about the proposed transaction.**

The abovementioned concerned persons shall intimate to Finance Department and to Company Secretary as soon as possible within end of each quarter about all the transactions with related parties.

Further all transactions entered into during each quarter shall be put up to the Audit Committee and Board along with quarterly and annual accounts.

- 6.2. Every director / Key Managerial Personnel of RITES who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such meeting.
- 6.3. Where any director / Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, shall disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.
- 6.4. A contract or arrangement entered into by RITES without disclosure or with participation by a director / Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of RITES.
- 6.5. Any director / Key Managerial Personnel who has been convicted of the offence dealing with Related Party Transactions at any time during the last preceding five years shall be disqualified for appointment as director / Key Managerial Personnel, as the case may be.

7. Review and approval of Related Party Transactions

- 7.1. All Related Party Transactions must be reported / referred to the Audit Committee for its approval / ratification, accompanied with management's justification for the same. Before

approving such transactions, the Audit Committee will look into the interest of RITES and its stakeholders in carrying out the transactions and on the benefits of the same. The Audit Committee may, thereupon, approve, reject or approve subject to modifications such transactions, in accordance with this Policy and / or recommend the same to the Board for approval.

7.2. All transactions which are either not on arm's length basis and / or not in ordinary course of business must be reported / referred to the Board through Audit Committee for its approval / ratification, and in case Material Related Party Transactions prior approval of the shareholders by way of resolution accompanied with management's justification for the same.

7.3. The Audit Committee / Board shall ensure that that the transaction is in the interest of RITES and its shareholders before approving the relevant Related Party Transactions, which are not in Ordinary Course of Business and not on arm's length basis.

8. Omnibus approval by the Audit Committee

8.1. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by RITES subject to the following conditions:

(a) The Audit Committee, upon obtaining approval of the Board shall lay down the criteria for granting the omnibus which shall include the following:

(i) Maximum value of the transactions, in aggregate, which can be allowed under the omnibus approval route in a year;

(ii) The maximum value per transaction which can be allowed;

(iii) Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;

(iv) Review, at such intervals as the Audit Committee may deem fit, Related Party Transactions entered into by the Company pursuant to each of the omnibus approval made; and

(v) Transactions which cannot be subject to the omnibus approval by the Audit Committee

(b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of RITES and shall consider the following factors while specifying the criteria for making omnibus approval:

(i) Repetitiveness of the transactions (in past or in future); and

(ii) Justification for need of omnibus approval

(c) Such omnibus approval shall specify:

(i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction that can 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.

- 8.2. 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 Rs. one crore per transaction.
- 8.3. Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by RITES pursuant to each of the omnibus approvals given.
- 8.4. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- 8.5. Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- 8.6. All Material Related Party Transactions shall require prior shareholders' approval by way of resolution in general meeting.
- 8.7. No shareholder of RITES, if such a shareholder is a related party with reference only to the contract or arrangement for which the said resolution is being passed shall vote on any such resolutions.

9.1. Standards for review

- 9.1. The Audit Committee while approving and the Board while approving / ratifying a Related Party Transaction shall review and consider the following, in accordance with the standards set forth in this Policy after full disclosure of the Related Party's interests in the transaction:
- (a) the Related Party's interest in the Related Party Transaction;
 - (b) the approximate amount involved in the Related Party Transaction;
 - (c) whether the Related Party Transaction was undertaken in the ordinary course of business of RITES
 - (d) whether the transaction with the Related Party is proposed to be, or was, entered on at arm's length basis;
 - (e) the purpose of, and the potential benefits to RITES from the Related Party Transaction;
 - (f) Whether there are any compelling business reasons for RITES to enter into the Related Party Transaction and the nature of alternative transactions, if any;
 - (g) Whether the Related Party Transaction includes any potential reputational risk issues that may arise as a result of or in connection with the Related Party Transaction;
 - (h) Whether the Related Party Transaction would impair the independence of an otherwise independent director or nominee director;

- (i) Whether RITES was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought for and whether subsequent ratification would be detrimental to RITES;
- (j) Whether the Related Party Transaction would present an improper conflict of interest, as per provisions of law, for any director or Key Managerial Personnel, taking into account the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of the Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee / the Board deems relevant and appropriate;
- (k) required statutory and public disclosure, if any; and
- (l) any other information regarding the Related Party Transaction or the Related Party in the context of the proposed transaction that would be material to the Audit Committee / Board / shareholders, as applicable, in light of the circumstances of the particular transaction.

9.2. The agenda of the Board meeting at which the resolution is proposed to be considered shall disclose:

- (a) the name of the related party and nature of relationship;
- (b) the nature, duration of the contract and particulars of the contract or arrangement;
- (c) the material terms of the contract or arrangement including the value, if any;
- (d) any advance paid or received for the contract or arrangement, if any;
- (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (f) 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
- (g) any other information relevant or important for the Board to take a decision on the proposed transaction.

9.3. Where any director is interested in any contract or arrangement with a Related Party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

9.4. The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 of the Companies Act, 2013 shall contain the following particulars namely:

- (a) name of the related party;
- (b) name of the director or key managerial personnel who is related, if any;
- (c) nature of relationship;

(d) nature, material terms, monetary value and particulars of the contract or arrangement;

(e) any other information relevant or important for the members to take a decision on the proposed resolution.

9.5. Ratification of Related Party Transactions not previously approved

9.5.1 Every contract or arrangement entered into with a related party shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

9.5.2 If prior approval of the Audit Committee / Board / shareholders for entering into a Related Party Transactions is not feasible owing to paucity of time or has not been approved under this Policy prior to its consummation or due to other administrative inconvenience, then such Related Party Transactions shall be recommended by the Audit Committee for ratification to the Board / shareholders if required, within three months of entering into the Related Party Transaction.

9.5.3 In any case where either the Audit Committee / Board / shareholders determines not to ratify a Related Party Transaction that has been commenced without prior approval, the Audit Committee or Board or Shareholders, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation of the transactions, or modification of the transaction to make it acceptable for ratification. If the contract or arrangement is with a Related Party to any director, or is authorised by any other director, the directors concerned shall indemnify RITES against any loss incurred by it.

9.5.4 In the event any member of the Audit Committee or the Board, as the case may be, has potential interest in any Related Party Transaction, such member will not remain present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

9.5.5. RITES may proceed against a director or any other employee who had entered into such contract or arrangement in contravention of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement and shall take any such action, it deems appropriate.

9.6 Amendment

9.6.1. This Policy shall stand amended in terms of the Act including the Companies (Meetings of Board and its Powers) Rules, 2014, and SEBI Listing Regulations. In the event of any conflict between this Policy and the applicable law, the applicable law shall prevail. The Board or the Audit Committee, as authorised by the Board, may review and amend this Policy from time to time. Any amendment to this Policy will be in writing.

9.7. Exemptions

General

9.7.1. The Provisions of Related Party Transactions shall not apply to below mentioned transactions:

(i) in the ordinary course of its business; and

(ii) at arm's length price basis

In terms of Regulation 23 (5) of the Listing Regulations, all Related Party Transactions shall require prior approval of the Audit Committee other than the following:

- (i) Transactions entered into between two government companies;
- (ii) 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.

Explanation (i): For the purpose of Regulation 23 (5) of the Listing Regulations, "Government company(ies)" shall have the same meaning as defined in Section 2(45) of the Companies Act, 2013."

Explanation (ii): For the purpose of Regulation 23 (7) of the Listing Regulations, 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.

Specific

9.7.2. The following transactions with the related parties shall be treated as transaction on arm's length basis provided:

(i) Sale of Company's finished product / services / others including scrap sale at rates or charges involved are determined by competitive bids / fixed by government.

(ii) Where purchase of product / availing of services at rates or charges are determined by competitive bids.

(iii) Lease rent receipt / payment at market rate / municipal / local body board standard rate or fixed by any other government authority.

10. Documents & Disclosures

10.1. The company secretary of the Company (the "Company Secretary") shall maintain a register, either physically or electronically, as prescribed in the Act, giving details of all contracts or arrangements to which this policy applies.

10.2. Every director or Key Managerial Personnel shall, within a period of thirty days of his appointment, or relinquishment of his office in other companies, as the case may be, disclose to RITES the particulars relating to his / her concern or interest in the other associations which are required to be included in the register maintained.

10.3. The Company Secretary shall provide extracts from such register to a member of RITES on his request, within seven days from the date on which such request is made upon the payment of such fee as may be specified in accordance with the relevant rules.

10.4. The register to be kept under this section shall also be produced at the commencement of every annual general meeting of RITES and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting.

11. Disclosures and reporting

11.1. RITES shall disclose this policy relating to Related Party Transactions on its website and also in the annual report.

11.2. This policy will be communicated to all operational employees and other concerned persons of the Company.