

POLICY ON RELATED PARTY TRANSACTIONS

Date of Approval: 10/01/2022
Issuing Authority: Board of Directors
Effective Date: 10/01/2022
Date of 1st Modification: 08/05/2025
Effective Date of 1st Modification: 08/05/2025

1. REGULATORY FRAMEWORK

Harsha Engineers International Limited (the “**Company**”) recognises that Related Party Transactions (*as defined below*) may present potential or actual conflict of interest and may pose questions whether such transactions are in the best interests of the Company and its members or not. This policy regarding the review and approval of Related Party Transactions has been formulated in compliance with SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”), as amended from time to time, meant to lay down principles that will guide the transactions among related parties. The policy further sets forth the procedures for dealing with the Related Party Transactions including the process for their review, approval and ratification as permitted.

The Industry Standards Forum (“ISF”), comprising representatives from leading industry bodies such as ASSOCHAM, CCI, and FICCI, under the aegis of the Stock Exchanges and in consultation with SEBI, has developed uniform industry standards specifying the minimum information required to be placed before the Audit Committee and shareholders for the approval of Related Party Transactions.

The Company shall ensure compliance with such industry standards, including any modifications or updates thereto, as may be prescribed or mandated by SEBI or any other regulatory authority from time to time, in connection with the review and approval of Related Party Transactions.

This policy (“**Policy**”) has been framed and adopted in accordance with the Listing Regulations and the relevant provisions of Companies Act, 2013 (“**Act**”) read with rules framed thereunder.

Regulation 23 of Listing Regulations requires the Company to formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors. In view of the above, the Company has framed this Policy on Related Party Transactions (*as defined below*).

2. OBJECTIVE OF THIS POLICY

The objective of this Policy is to ensure that that the transactions of the Company with its related parties are undertaken on the basis of best practices and in accordance with the provisions of the Regulation 23 of Listing Regulations read with relevant provisions of Act. The Policy also sets out the process for identification of Related Parties, procedure for entering into Related Party Transactions, approval at

Harsha Engineers International Limited

various levels, disclosures and reporting obligations, criteria and procedure for approving Related Party Transactions, etc.

3. DEFINITIONS

3.1 **“Arms’ Length Transaction”** means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.

3.2 **“Audit Committee”** means Audit Committee of the Company as constituted Board.

3.3 **“Associate Company”** shall have the same meaning as defined under the Act.

3.4 **“Board of Directors”** or **“Board”** means the Board of Directors of the Company.

3.5 **“Key Managerial Personnel”** shall have the same meaning as defined under the Act.

3.6 **“Holding Company”** shall have the same meaning as defined under the Act.

3.7 **“Material Related Party Transaction”** shall mean a transaction as defined under section 188(1) of the Act and regulation 2(1)(zc) of the Listing Regulations with a Related Party defined under section 2(76) of the Act and regulation 2(1)(zb) of the Listing Regulations, where the aggregate value of transaction(s) to be entered into individually or taken together with previous transaction(s) during a financial year, exceeds the threshold limits as may be prescribed under the Listing Regulations, the Act and Rules made thereunder from time to time.

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, exceeds the threshold limits as may be prescribed under the Listing Regulations from time to time.

3.8 **“Related Party”** means such individual or entity as defined as related party under section 2(76) of the Act read with rules framed thereunder and regulation 2(1)(zb) of the Listing Regulations.

3.9 **“Related Party Transaction”** means any transactions as provided under clause (a) to (g) of sub-section (1) of section 188 of the Act and corresponding rules thereto and as defined in clause (zc) of sub-regulation (1) of regulation 2 of the Listing Regulations, and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.

3.10 **“Relative”** with reference to any person shall have the meaning as defined in Section 2(77) of the Act read with Rule 4 of Companies (Specification of Definition Details) Rules, 2014 and the amendments made thereunder from time to time.

3.11 **“Subsidiary Company”** or **“Subsidiary”** shall have the meaning as defined under the Act.

3.12 **“Transactions”** with a related party shall be construed to include single transaction or a group of transactions in a contract.

Harsha Engineers International Limited

Any other term not defined herein shall have the same meaning as defined in the Act or Rules made thereunder, Listing Regulations, applicable Accounting Standards or any other law or regulation applicable to the Company.

4. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

4.1 All the Directors and Key Managerial Personnel (KMPs) are responsible for informing the Company of their interest (including interest of their Relatives) in other Companies, firms or concerns at the time of their appointment, at the beginning of every financial year and any change in such interest during the year. In addition, all the Directors and KMPs are responsible for providing notice to the Company Secretary of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Audit Committee may request.

4.2 The Board shall record the disclosure of Interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

4.3 Notice of any potential Related Party Transaction shall be provided well in advance to the Audit Committee so that it has adequate time to review the proposed Transaction.

4.4 The Compliance Officer shall maintain a database of Company's Related Parties containing the names and other applicable details of individuals and the entities, identified on the basis of the definition set forth in this policy.

5. APPROVAL OF RELATED PARTY TRANSACTIONS

This Policy will operate within the framework of the Regulation 23 of the Listing Regulations read with the Act and Rules thereunder, as amended from time to time.

5.1 Audit Committee Approval

All Related Party Transactions shall require prior approval of the Audit Committee. However, the Audit Committee may also grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this policy and such approval shall be applicable in respect of transactions which are repetitive in nature;
- b. The Audit Committee shall satisfy itself about the need for such omnibus approval and that such approval is in the interest of the Company;
- c. The maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year shall not exceed 25% of annual consolidated turnover of the Company as per the last audited financial statements of the Company. Further, the maximum value per transaction with which can be

Harsha Engineers International Limited

allowed under the omnibus route shall not exceed 25% of annual consolidated turnover of the Company as per the last audited financial statements of the Company.

d. The omnibus approval shall specify the statutory information as may be specified in the Act, the Listing Regulations and ISF, as may be amended from time to time.

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. 1.00 Crore per transaction;

e. Audit Committee shall review the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given by it on a quarterly basis;

f. Such omnibus approvals shall be valid for a period of one financial year from the date of the Audit Committee meeting where such approval is granted or such other lesser period as may be specified by the Audit Committee and shall require fresh approval after its expiry;

g. Omnibus approval shall not be made for the following:

(i) transaction(s) in respect of selling or disposing off the undertaking of the Company;

(ii) transactions which are not at arm's length or not in the Ordinary Course of Business;

(iii) transactions which are not repetitive in nature (in past or in future);

(iv) transactions which require shareholders' approval; and

(v) Financial Transactions e.g. Loan to Related Parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the Related Parties, corporate guarantee given/received from Related Parties.

5.2 Each Material Related Party Transaction shall also require prior approval of the Board and shareholders of the Company, in accordance with the relevant provisions of the Listing Regulations, the Act and/or the Rules, as may be applicable.

5.3 If any Member of the Committee is interested in any contract or arrangement with a related party, such Member shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

5.4 While considering the RPTs, the Audit Committee shall be provided with all the prescribed information / details, as may be applicable, as prescribed by the ISF vide its industry standards.

5.5 Factors to be considered by the Committee while approving a Related Party Transaction:

– Whether the terms of Related Party Transaction are fair and on arm's length basis?

Harsha Engineers International Limited

- Whether the Related Party Transaction is in the ordinary course of business of the Company or 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 Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company; and
- Any other factors the Committee deems relevant.

5.6 Approval of the Board of Directors

5.6.1 The Board shall approve RPTs, which are not in ordinary course of business and/or not at arm's length.

5.6.2 Where the Audit Committee does not approve the RPTs, it shall make its recommendations to the Board for approval.

5.6.3 If prior approval of Board or shareholders has not been taken, then such transaction needs to be ratified within 3 months of the date of entering into contract/ arrangement.

5.7 Members' Approval

5.7.1 All Material RPTs and subsequent material modifications as defined by the Committee shall require prior approval of the shareholders through resolution and all related parties shall not vote to approve such resolution, irrespective of whether the entity is a party to the particular RPT or not.

Prior approval of the shareholders of the Company shall not be required for RPTs to which the listed subsidiary is a party, but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of the Listing Regulations are applicable to such listed subsidiary.

Explanation: For RPTs of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

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 and Bankruptcy Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

While considering the Material RPTs, Members shall be provided with all the prescribed information / details, as may be applicable, as prescribed by the ISF vide its industry standards.

Harsha Engineers International Limited

5.8 Transactions as prescribed under regulation 23(5) of the Listing Regulations shall be exempted from prior approval of the Audit Committee and Shareholders.

6. TRANSACTIONS COVERED UNDER OTHER PROVISIONS IN LAW / APPROVED BY SEPARATE COMMITTEES

The transactions or arrangements which are specifically dealt under the separate provisions of the law and executed under separate approvals/procedures from relevant competent authority or Committee shall be deemed to be approved under this Policy. Few examples of such transactions are enumerated below:

- i. Appointment and payment of remuneration, including any variations thereto, to Key Managerial Personnel pursuant to the Nomination and Remuneration Committee approval, except any special benefit given to such person
- ii. Payment of remuneration, fees, commission, etc. to directors pursuant to the Nomination and Remuneration Committee approval except any special benefit given to such person.
- iii. Share based incentive plans for the benefits of the Directors or Key Managerial Personnel pursuant to shareholders approval including ESOPs.
- iv. Any benefits, interest arising to Related Party solely from the ownership of Company shares at par with other holders, for example, dividends, rights issues, stock split or bonus shares which is in line with Board approved plan.
- v. Contribution with respect to Corporate Social Responsibility to eligible entity pursuant to approval of Board or the Corporate Social Responsibility Committee.
- vi. Investments/Loans/guarantee made/given by the Company.
- vii. Borrowing made by the Company.

7. DISCLOSURE REQUIREMENTS

7.1 This policy shall be uploaded on the website of the Company and a weblink thereto shall be provided in the Board's Report.

7.2 The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act, if any, with Related Parties, which are material or not in Ordinary Course of Business or arm's length basis along with the justification for entering into such transaction.

7.3 The Company shall submit disclosures of Related Party Transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

Harsha Engineers International Limited

8. AMENDMENT

8.1 Any amendment in this Policy may be carried out with the approval of the Board of Directors of the Company.

In case any amendment(s), clarification(s), circular(s) and guideline(s) issued by Securities and Exchange Board of India/Stock Exchanges, that is not consistent with the requirements specified under this Policy, then the provisions of such amendment(s), clarification(s), circular(s) and the guideline(s) shall prevail upon the requirements hereunder and this Policy shall stand amended accordingly effective from the date as laid down under such amendment(s), clarification(s), circular(s) and guideline(s). Such amendments shall be brought to the attention of the Board of Directors.