

JSW INFRASTRUCTURE LIMITED

**Policy on dealing with Related Party
Transactions**

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1. Preface

Policy Title	Policy on dealing with Related Party Transactions
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This policy is intended to ensure proper approval and reporting of transactions between the Company and any of its Related Parties. This policy shall apply to all transactions entered into by the Company with its Related Parties as prescribed under the Companies Act, 2013 read with the Rules and Regulations framed thereunder (hereinafter referred to as the '**Act**') and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulation, 2015 ('**Listing Regulations**') as amended from time to time read along with the Notifications and Circulars as may be issued thereunder and such other Rules and Regulations as may be applicable. The policy sets forth the nature of Related Party Transactions, approvals and disclosure requirements. The Audit Committee and/or Board of Directors may review/amend this Policy from time to time.

2. Definitions

- 2.1 "**Act**" means Companies Act, 2013, including any amendment thereof from time to time, to be read with rules made thereunder.
- 2.2 "**Audit Committee**" means Committee of Board of Directors of the Company constituted under provisions of Act and Listing Regulations.
- 2.3 "**Arm's 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.

2.4 **“Board”** means Board of Directors of the Company.

2.5 **“Company”** means JSW Infrastructure Limited.

2.6 **“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and in accordance with the Act.

2.7 **“Key Managerial Personnel”** means Key Managerial Personnel as defined under the Act, 2013 and Indian Accounting Standards (Ind AS), as the case may be, and includes:

- the Chief Executive Officer or the Managing Director, or Manager;
- Company Secretary;
- Whole-time Director;
- Chief Financial Officer; and
- 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
- Such other officer as may be prescribed.

2.8 **“Listing Regulations”** means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulation, 2015, including any amendment thereof from time to time.

2.9 **“Material Related Party Transaction”** means a transaction with related party, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds the thresholds specified in Schedule XII of the Listing Regulations.

However, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered Material Related Party Transaction, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

2.10 “**Material Modification to a Related Party Transaction**” mean any modification for an amount more than 10 percent to a Related Party Transaction which has already been approved by the shareholders, Board or Audit Committee, as the case may be.

In addition to the above, the Audit Committee may from time to time based on the facts of particular matter(s) in hand, take a decision whether the modification in any terms and conditions of an existing Related Party Transaction would tantamount to be a material modification and thus requisite approvals (as mentioned in Point C, D and E of this Policy) may be required for the modification of the said transaction.

2.11 “**Ordinary course of Business**” means a usual transaction if it is entered into in relation to provision of goods or services in which the Company regularly deals or where the transaction is in respect of goods or services in which the counter party normally deals, and the Company repeatedly enters into such transactions for the purpose of its business or the transaction is necessary, normal or incidental to business. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

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

2.13 “**Related Party**” with reference to the Company means:

- a) a related party as defined under section 2(76) of the Act; or
- b) a related party as defined under the applicable accounting standards; or
- c) a related party as defined under regulation 2(zb) of Listing Regulations.

2.14 “**Related Party Transactions**” means a transaction, between the Company and its Related Party, is a related party transaction as ascribed under Regulation 2(zc) of Listing Regulations and transactions under Section 188 of the Companies Act, 2013.

2.15 “**Relative**” means relative as defined under the Act read with Rule 4 of the Companies (Specification of definitions details) Rules, 2014, including any amendment thereof from time to time.

2.16 “**Industry Standards**” means Standards formulated by the Industry Standards Forum (“ISF”) comprising of representatives from three industry associations, viz. ASSOCHAM, CII and FICCI, under the aegis of the Stock Exchanges, in consultation with SEBI, on “Minimum information to be provided for review of the audit committee and shareholders for approval of a related party transaction.

3. Requirements of the respective regulations:

Companies Act, 2013

As per Section 188 of the Act read with the rules made thereunder, all related party transactions require prior approval of the Board or Shareholders, if it exceeds the limits prescribed for the specified transaction, except transactions which are in the ordinary course of business and on arms’ length basis.

Section 177(4)(iv) of the Act, requires Audit Committee to approve transactions or any subsequent modification thereof of the company with the related parties.

Listing Regulations

As per Regulation 23 of the Listing Regulations, the requirements for Related Party Transactions are:

- Formulation of a policy for all material transactions which shall include clear threshold limits duly approved by the Board;
- Formulation of a policy for the treatment of Related Party Transactions;
- All Related Party Transactions and any subsequent Material modification to a Related Party Transaction shall require prior approval of the Audit Committee. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to compliance with conditions as prescribed;
- All material related party transactions and any subsequent Material modification to a Related Party Transaction shall require prior approval of the shareholders through a resolution and no related party shall vote to approve on such resolution irrespective of the fact whether the entity is a related party to the particular transaction;

- The provisions of this regulation shall be applicable to all prospective transactions.
- Transactions covered under Listing Regulations are:
 - Transfer of resources
 - Transfer of services
 - Transfer of obligations

IND AS 24 – Disclosure of the related party transactions

The Indian Accounting Standard requires the disclosure of the related party relationship and the transaction with related parties in the annual report.

Following are some examples of the related party transactions under IND AS 24:

- Purchase or sale of goods (finished or unfinished)
- Purchase or sale of fixed assets
- Rendering or receiving of services
- Agency arrangements
- Leasing or hire purchase arrangements
- Transfer of research and development
- Licence agreements
- Finance (including loans and equity contributions in cash or in kind)
- Guarantees and collaterals
- Management contracts including deputation of employees

Policy on Related Party Transactions

A. Identification of Related Parties

Before the start of each financial year, the Company shall identify a list of 'Related Parties' in accordance with the definition given in Listing Regulations, containing the names of individuals and entities. The identification would be carried out based on the disclosures received from Directors / Key Managerial Personnel / Shareholders of the Company and by reviewing the shareholding, the Group structure including holding, subsidiaries, associate and Joint Ventures of the Company.

The list of related parties shall be reviewed quarterly jointly by the Chief Financial Officer and Company Secretary. Any changes in the list during the financial year shall be made as and when the Company receives information

in this regard from the Directors, Key Managerial Personnel, Shareholders and change in the Group structure.

Each Director and Key Managerial Personnel of the Company is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him/her or his/her relative, including any additional information about the transaction that the Board or Audit Committee may request.

B. Identification of Related Party Transactions

The Company would collate list of Related Party Transactions as follows:

- i. Continuing Related Party Transactions as per the disclosure made in its financial statements.
- ii. Transactions which are likely to be entered into with each Related Party and estimated value of such transactions before the beginning of each financial year to obtain necessary approvals in accordance with this Policy.

Any member of the Audit Committee or Board who is directly or indirectly interested in any Related Party Transaction shall recuse himself and abstain from participating in the discussion and voting for such item under consideration by Audit Committee and Board, as the case may be.

C. Prior approval of Audit Committee

All Transactions entered with Related parties and any subsequent Material modification to a Related Party Transaction shall be undertaken only after prior approval of Audit Committee. The Audit Committee shall be provided with the requisite information for approval of each Related Party Transaction.

Further, only those members of the Audit Committee, who are independent directors, shall approve Related Party Transactions.

The below Related Party Transaction shall not require prior approval of the Audit Committee of the Company wherein:

- i. A related party transaction below rupees one crore whether entered into individually or taken together with previous transactions during a financial

- a. ten percent of the annual standalone turnover, as per the last audited financial statements of the respective subsidiary; or
- b. the threshold for material related party transactions of the Company as specified in Schedule XII of the Listing Regulations.

- ii. Any listed subsidiary is a party, but the Company is not a party, and regulations pertaining to Corporate Governance and Related Party Transactions as ascribed under Listing Regulations are applicable to such listed subsidiary. Also, for Related Party Transactions of unlisted subsidiaries of a listed subsidiary the prior approval of the audit committee of the listed subsidiary shall suffice.
- iii. Remuneration and sitting fees paid by the Company or its subsidiaries to its directors, key managerial personnel or senior management, except who is part of promoter or promoter group provided that the same is not material in terms of the provisions of Regulation 23(1) of Listing Regulations.

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiary subject to compliance with following conditions:

- i. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;
- ii. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- iii. Such omnibus approval shall specify:
 - a) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
 - b) the indicative base price / current contracted price and the formula for variation in the price, if any; and
 - c) such other conditions as the Audit Committee may deem fit.

Further, 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 crore per transaction.

- a. Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company or its subsidiary pursuant to each of the omnibus approval given.
- b. Such omnibus approvals shall be valid for a period not exceeding 1 year and shall require fresh approvals after the expiry of one year.
- iv. All Transactions proposed to be entered into by the Company with Related parties will be put up for approval of Audit Committee on regular basis. (Section 177 (4) (iv) of the Act).
- v. The management proposal for the related party transaction will include all material particulars of the proposed transaction and a detailed analysis and justification/rationale for entering into a related party transaction as compared to a transaction with a non-related party.
- vi. The proposal will also state whether the transaction is of a routine nature or a one-off transaction.
- vii. In each case, the management proposal will include analysis as to whether the transaction price is at an arm's length. The proposal may be supported by any third-party evaluation or certification in that behalf.

D. Prior approval of the Board of Directors

All transactions with related parties within the scope of Section 188 of the Act, which are either not in the ordinary course of business or are not at Arm's Length shall require prior approval of the Board of Directors.

In addition to the above, the following kinds of transactions with related parties shall also be placed before the Board for its approval:

- i. Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e., value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- ii. Transactions in respect of which the Audit Committee is unable to determine

whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;

- iii. Transactions which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval;
- iv. Material Related Party Transactions and any subsequent Material modification to a Related Party Transaction, which are intended to be placed before the shareholders for approval.

Information in such form and manner as prescribed in the Act, Listing Regulations and the Industry Standards shall be provided to the Board.

E. Prior Approval of the Shareholders of the Company

All Material Related Party Transactions and any subsequent Material modification to a Related Party Transaction, shall require prior approval of the shareholders through Resolution. The Notice to be sent to the Shareholders to seek approval for a Related Party Transaction shall provide requisite information for each such transaction as required under the Act, Listing Regulations and the Industry Standards.

In addition to the above, all kinds of transactions with related parties covered under Section 188 of the Act which:

- (a) are not at Arm's Length or not in the ordinary course of business; and
- (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 or in this Policy,

shall require prior approval of the shareholders through resolution.

However, prior shareholders' approval will not be required for a transaction wherein any listed subsidiary of the Company is a party, but the Company is not a party, and regulations pertaining to Corporate Governance and Related Party Transactions as ascribed under Listing Regulations are applicable to such listed subsidiary. Also, for Related Party Transactions of unlisted subsidiaries of a listed subsidiary the prior approval of the shareholders of the listed subsidiary shall suffice.

Shareholders' approval, as referred above, would not be required for transactions entered into between:

- (a) the Company and its wholly owned subsidiary; or
- (b) two wholly owned subsidiaries of the Company,

provided that accounts of such wholly owned subsidiaries referred in (a) and (b) above are consolidated with the Company and placed before the Shareholders at the general meeting for approval.

F. Voting

In determining whether to approve or ratify a Related Party Transaction, the Committee / Board, as the case may be, shall take into account among other factors it deems appropriate, whether the Related Party Transaction is in the ordinary course of business of the Company and on arm's length basis and the extent of the related party's interest in the transaction. For this purpose, the Audit Committee / Board, as the case may be, are entitled to seek the assistance of any employee of the Company or one or more independent experts of its choice at the expense of the Company.

- If any director of the Company is interested in any contract or arrangement with a related party, such director cannot be present at the board meeting of the Company during discussions in the matter.
- Members who are related parties in the context of the related party contract or arrangement for which resolution is to be passed shall not vote to approve the resolution if such Member is a related party.
- Members who are related parties shall not vote to approve the resolution in respect of approval of material Related Party Transactions and any subsequent Material modification to a Related Party Transaction, irrespective of whether the Member is a party to the particular transaction or not.

4. Related Party Transactions should be at Arm's Length Price (ALP)

1. All related party transactions should be adequately supported by contracts or purchase orders / work order or sales order and documentations to justify ALP.
2. If ALP cannot be justified for any transaction, then approval should be taken from Audit Committee, Board and shareholders, as applicable.

5. Reporting and Disclosure of Related Party Transactions

1. Board's report shall contain details of Related Party Transactions as required

under the Act.

2. The Company shall submit to the stock exchanges on the date of publication of its standalone and consolidated financial results for the half year, disclosures of Related Party Transactions, in the format specified by the Securities and Exchange Board of India ("SEBI") from time to time and publish the same on its website.
3. The Company shall disclose to the Stock Exchange along with the integrated governance report on a quarterly basis, details of all Material Related Party Transactions.
4. The Company shall disclose the policy on dealing with Related Party Transactions on its website and provide a web link in the Annual Report.
5. The Company shall disclose transactions of the Company with any person or entity belonging to the promoter / promoter group which hold(s) ten percent or more shareholding in the Company, in the format prescribed in the relevant accounting standards for annual results in the Annual Report.
6. This Policy will be communicated to all operational employees and other concerned personnel of the Company.

6. Related Party Transaction not approved under this Policy

In the event any Transaction has been undertaken/ is being undertaken with a Related Party without obtaining requisite approval under this RPT policy, The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- i. the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- ii. the transaction is not material in terms of the provisions of regulation 23(1) of the Listing Regulations;

- iii. rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- iv. the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation;
- v. any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

7. Amendment

Any subsequent amendment / modification in the Listing Regulations or the Act or any other governing Act / Rules / Regulations or re-enactment, impacting the provisions of this Policy, shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be modified and / or amended to that extent, even if not incorporated in this Policy.

8. Review of the Policy

This Policy shall be reviewed by the Board at least once every three years and updated accordingly.