

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

PREFACE

Encompass Design India Limited has always been committed to good corporate governance practices, including in matters relating to Related Party Transactions. An endeavor is consistently made to have only arms' length transactions with Related Parties.

All Related Party Transactions (RPT), as that term is defined in this policy, shall be subject to review in accordance with the procedures set forth below. The Board has determined that the Audit Committee (the "Committee") is best suited to review all Related Party Transactions.

DEFINITIONS

i. **'Relative'**, with reference to any person, means anyone who is related to another, if-

- they are members of a Hindu Undivided Family;
- they are husband and wife;
- Father (including step-father);
- Mother (including step-mother);
- Son (including step-son);
- Son's wife;
- Daughter;
- Daughter's husband;
- Brother (including step-brother);
- Sister (including step-sister)

ii. **'related party'** is a person or entity that is related to the company. Parties/Entities are considered to be related if an entity shall be considered as related to the company if: (i) *such entity is a related party under Section 2 (76) of the Companies Act, 2013; or (ii) such entity is a related party under the applicable accounting standards.*

Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
- (b) any person or any entity, holding equity shares:
 - of twenty per cent or more; or
 - of ten per cent or more;

in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediately preceding financial year shall be deemed to be a related party.

iii. **'Related Party Transaction'** shall be as per Regulation 2(1)(zc) of SEBI (LODR) Regulations, 2015. Accordingly, a related party transaction is a transaction involving transfer of resources, services, or obligations between:

- a. listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or

- b. listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, regardless of whether a price is charged.

A **“transaction”** with a related party shall be construed to include single transaction or a group of transactions in a contract. Provided that the following shall not be a related party transaction:

- a. the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
- b. the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend.
 - ii. subdivision or consolidation of securities.
 - iii. Issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.
- c. acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all public.
- d. acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time.

Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon.

- e. retail purchases from any listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.

iv. **‘Material Modifications’** in relation to the Related Party Transaction(s) shall mean any change / variation / modification in an existing related party transaction / contract / arrangement, the financial effect of which is an increase in the per annum value of the relevant related party transaction / contract / arrangement by 10% or rupees fifty crore, whichever is higher.

v. **Materiality of Related Party Transactions** means a transaction with a related party shall be considered material if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year exceed ten percent of the annual turnover of the company as per the last audited financial statements of the company."

PROCEDURES

1. All Related Party Transactions (RPTs) of the company as prescribed under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) regulation 2015 and their subsequent material modifications shall be approved by the audit committee of the Board from time to time.

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

Further, remuneration and sitting fees paid by Company or its subsidiaries to its directors, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require

approval of the audit committee provided that the same is not material in terms of the provisions of Regulation 23 of the Listing Regulations.

2. Each Director who is a Related Party with respect to a particular Related Party Transaction shall disclose all material information to the Committee concerning such Related Party Transaction and his or her interest in such transaction.
3. Management shall present to the Audit Committee the following information, to the extent relevant, with respect to actual or potential Related Party Transactions:
 - a. A general description of the transaction(s), including type, name of the related party and nature of relationship, duration of the contract and particulars of the contract or arrangement, maximum amount of transaction that can be entered into, the material terms and conditions and the percentage of the Company's annual turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction.
 - b. The Related Party's concern or interest in the transaction(s) (financial or otherwise), including the Related Party's position or relationship with, or ownership of, any entity that is a party to or has an interest in the transaction(s).
 - c. The manner of determining the pricing and other commercial terms, the indicative base price / current contracted price and the formula for variation in the price if any.
 - d. any advance paid or received for the contract or arrangement, if any and the approximate value of the transaction(s) and the approximate value of the Related Party's interest in the transaction(s)
 - e. In the case of a lease or other transaction providing for periodic payments or installments, the aggregate amount of all periodic payments or installments expected to be made in the financial year.
 - f. If the transaction relates to any loans, inter-corporate deposit, advances or investments made or given by the Company:
 - details of the source of funds in connection with the proposed transaction;
 - where any financial indebtedness is incurred to make or give loans, interoperate deposits, advances or investments disclose nature of indebtedness, cost of funds and tenure;
 - applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
 - g. 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 any other material information regarding the transaction(s) or the Related Party's interest in the transaction(s).
 - h. Justification as to why the RPT is in the interest of the listed entity;
 - i. A copy of the valuation or other external party report, if any such report has been relied upon;
 - j. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
 - k. Any other information that may be relevant.

4. The members of the Audit Committee, who are independent directors, may ratify the related party transactions within 3 months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier. Ratification is subject to certain conditions as specified in the Listing Regulations. The failure to seek ratification of the audit committee shall render related party transactions voidable at the option of the audit committee and if the transaction is with a related party to any director or is authorized by any director, the director(s) concerned shall indemnify the Company against any losses incurred.
5. Consent of the Board would also be taken in respect of all RPTs specified under Section 188 of the Companies Act, 2013, provided that such consent would not be required if the transactions are entered into by the Company in its ordinary course of business and are on an arm's length basis.
6. In addition to the above, the following kinds of transactions with related parties are also 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 in Audit Committee's view requires Board approval.
 - iv. Transactions meeting the materiality thresholds laid down in the Policy, which are intended to be placed before the shareholders for approval.
7. All material related party transactions and their subsequent material modifications, shall require prior approval of the shareholders through resolution. However, the requirement of shareholders' prior approval for Material Related Party Transactions shall not be applicable in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved.
8. In addition to the above, all kinds of transactions specified 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 are placed before the shareholders for its approval.
9. Where Board consent / shareholders' approval is required as per para 4 to 7 above, a) the agenda of the Board meeting at which the resolution is proposed to be moved and b) explanatory statement to be annexed to the notice of such general meeting, shall disclose all such details / information about the contract as are prescribed under the Companies (Meetings of Board and its Powers) Rules, 2014 and the SEBI (LODR) Regulations, 2015.
10. Where RPTs require approval of the Board and the shareholders through resolution as per para 4 to 7 above, (a) any director who is interested in any contract or arrangement with a related party, shall not be present at the meeting during discussions on the subject-matter of the resolution relating to such contract or arrangement and b) all entities falling definition of Related Party(ies) shall abstain

from voting on such resolution of the shareholders irrespective of whether the entity is a related party to the particular transaction or not.

11. If a Related Party Transaction will be ongoing/ proposed to be entered into by the company, the Committee may grant omnibus approval for ongoing dealings/ proposed related party transactions. 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.

If 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 one crore per transaction.

Such omnibus approval shall be applicable in respect of transactions which are repetitive in nature and only for one year and shall require fresh approvals after the expiry of one year.

The audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approvals given.

12. The Committee shall periodically review and assess ongoing relationships with the Related Party. Any material amendment, renewal or extension of a transaction, arrangement or relationship previously reviewed under this Policy shall also be subject to subsequent review under this Policy.

13. The Audit Committee periodically shall review this Policy once in every three years and may recommend amendments to this Policy from time to time as it deems appropriate.

14. This Policy on Related Party Transactions shall be governed by the Companies Act, 2013 read with Rules made thereunder, as may be in force for the time being as well as SEBI (Listing Obligations and Disclosure Requirements) regulation 2015 or such other Rules/Regulations, as may be notified by SEBI from time to time.

Approved in the Board Meeting held on 09th June, 2025.