

POLICY ON RELATED PARTY TRANSACTIONS

THE LEGAL MANDATE & MOTIVE:

Related Party Transactions can present a potential or actual conflict of interest, which may be against the best interest of a Company and its shareholders. Considering the requirement for approval of related party transactions as prescribed under the Companies Act, 2013 (**“Act”**), read with the Rules framed there under and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended (**“SEBI Listing Regulations”**), Modern Engineering and Project Limited (**the “Company”**) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Regulation 23(1) of the SEBI Listing Regulations requires a Company to formulate a policy on materiality of related party transactions and dealing with related party transactions. Further, Regulation 23(2) requires the Audit Committee to define material modification and disclose it as a part of the policy.

In light of the above, the Company has framed this Policy on Related Party Transactions (**“Policy”**). Further, the Audit Committee shall review and amend the Policy, at least once in every three years, subject to the approval of the Board, unless there is a change in applicable regulations and/or in business conditions affecting the Company/its subsidiaries, which requires an earlier change to the Policy.

If the terms of this Policy differ from any existing or newly enacted regulation or standard governing the Company, such regulation or standard will take precedence over this Policy until, this Policy is changed to conform to said regulation or standard.

A. POLICY MOTIVE:

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions, (b) define material modification and (c) the manner of dealing with and disclosing the transactions between the Company and its related parties as required under the Act, the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

B. DEFINITIONS:

- i. **“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.
- ii. **“Ordinary Course of Business”** includes those activities carried out in the normal course of business practice, or which have been undertaken historically or frequently as commercial practice or activities related to the business or come within the ambit of business as envisaged in the Memorandum of Association of the Company and its subsidiaries, as amended from time to time.
- iii. **“Material Modification”** means any modification made in the value/exposure of any ongoing or proposed Related Party Transaction, as originally approved by the Audit Committee and/or shareholders, which has the effect of variation in the approved value of the transaction.

Some of the parameters considered for material modifications are:

- change in overall transaction value of any related party transaction beyond 20% of the approved amount;
- extension in duration of any related party transaction contract beyond a period of 24 months from the agreed tenure;
- change in the gross annual/half yearly/quarterly/monthly turnover of the Company beyond 20% percentage of the immediately preceding period;
- such other criteria as may be prescribed by the Audit Committee on case-to-case basis.

- iv. **“Material Related Party Transaction”** means the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds INR 1000 Crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

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, exceed 5% of the annual consolidated turnover of the Company as per the last audited financial statements.

- v. **“Relative”** in relation to a related party shall have the same meaning assigned to, in Section 2(77) of the Act.

- vi. **“Related Party”** shall have the same meaning as defined under Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI Listing Regulations.

Reference and reliance may be placed on the clarification issued by the Ministry of the Corporate Affairs, Securities and Exchange Board of India (“SEBI”) and other Authorities from time to time on the interpretation of the term “Related Party”.

- vii. **“Related Party Transactions”** shall have the meaning as defined under Regulation 2(1)(zc) of the SEBI Listing Regulations and as envisaged in Section 188(1) of the Act.

Any other term not defined herein shall have the same meaning as defined in the Act, SEBI Listing Regulations or any other applicable law or regulation.

C. MATERIALITY THRESHOLD:

- i. Regulation 23 of the SEBI Listing Regulations requires the Company to provide materiality thresholds for the transactions beyond which the prior approval of the shareholders will be required by way of a resolution.
- ii. The Company has fixed its materiality thresholds at the level prescribed under Regulation 23(1) of the SEBI Listing Regulations, as under:
 1. In case, the transaction involving payments made to a Related Party with respect to brand usage or royalty, if it exceeds five percent (5%) of the annual consolidated turnover of the Company, as per its last audited financial statements.
 2. In case of any other transaction, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rupees 1,000 crore or ten percent (10%) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.
 3. Regulation 23 of the SEBI Listing Regulations provide that any subsequent material modifications to the terms of such transactions, as defined by the Audit Committee, shall also require shareholders’ prior approval by way of a resolution.

D. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS:

1. Identification of related parties:

The Company shall identify and update the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Regulation 2(1)(zb) of the SEBI Listing Regulations.

2. Identification of related party transactions:

The Company shall identify related party transactions in accordance with Section 188 of the Act and Regulation 2(1)(zc) of the SEBI Listing Regulations. The Company shall determine whether the transaction is in the ordinary course of business and at arm’s

length basis and for this purpose, the Company may seek external professional opinion, if necessary.

3. Procedure for approval of related party transactions:

i. Approval of the Audit Committee:

Prior Approvals:

- All related party transactions and subsequent material modifications require prior approval of the Audit Committee.
- Only Members of the Audit Committee, who are independent directors, shall approve related party transactions.
- A related party transaction to which the subsidiary of a Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover, as per the last audited financial statements of the Company.
- With effect from April 1, 2023, a related party transaction to which the subsidiary of a Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary.
- Remuneration and sitting fees paid by the Company or its subsidiary to its Director, 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(1) of SEBI Listing Regulations.

Omnibus Approvals:

The Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

- 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.
- Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company.
- Omnibus approval shall specify:

- i.* the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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:

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 INR 1 Crore per transaction.

- The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity of the listed entity or its subsidiary pursuant to each of the omnibus approvals given.
- Such omnibus approvals shall be valid for a period not exceeding one (1) year and shall require fresh approvals after the expiry of one year:

Ratification:

The members of the Audit Committee, who are Independent Directors, may ratify 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**, 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 INR 1 Crore;
- (ii) The transaction is not material in terms of the provisions of Regulation 23 (1) of SEBI 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 Regulation 23 (9) of SEBI Listing Regulations;
- (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 Company against any loss incurred by it.

ii. Approval of the Board of Directors of the Company:

- As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval.
- In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:
 1. 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) requires Board approval in addition to approval of Audit Committee.
 2. 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.
 3. 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.
 4. Transactions meeting the materiality thresholds laid down in the Policy and any subsequent Material Modification to a Material Related Party Transaction, which are intended to be placed before the shareholders for their approval.

iii. Approval of the Shareholders of the Company:

- All the transactions with related parties, meeting the materiality thresholds, laid down in the Policy, and any material modifications thereto as defined in this Policy, will be placed before the shareholders for their approval.
- The Notice sent to the shareholders seeking approval for any proposed related party transaction shall, include information as required under the Act and the SEBI Listing Regulations.
- The omnibus shareholders' approval of material related party transactions approved in an annual general meeting shall be valid up to the date of the next annual general meeting for a period not exceeding fifteen (15) months. Further, in case of omnibus approval for material related party transactions, obtained from shareholders in general meetings other than annual general meeting, the validity of such omnibus approvals shall not exceed one (1) year.
- All kinds of transactions specified under Section 188 of the Act, which (a) are not in the ordinary course of business or not at arm's length basis; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014, shall be placed before the shareholders for their approval.
- For this purpose, no related party shall vote to approve the relevant resolution

irrespective of whether the entity is a related party to the particular transaction or not.

- Pursuant to Regulation 23(5)(b) of the SEBI Listing Regulations and Section 188(1) of the Act the requirement for seeking shareholders' approval shall not be applicable, *inter alia*, to:
 - i. Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and are placed before the shareholders at the general meeting for approval.
 - ii. Transactions between two wholly owned subsidiaries of the Company whose accounts are consolidated with the Company and are placed before the shareholders at the general meeting for approval.
 - iii. Where the subsidiary is a listed entity and Regulations 23 and 15(2) of the SEBI Listing Regulations are applicable to such listed subsidiary.
 - iv. A resolution plan approved under Section 31 of the Insolvency Code, subject to the event being disclosed to the recognized Stock Exchanges within one day of the resolution plan being approved.

E. DISCLOSURES:

1. The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis, along with the justification for entering into such transaction.
2. In addition to the above, the Company shall also provide details of all related party transactions, exceeding the materiality threshold, on a quarterly basis to the Stock Exchanges, along with the compliance report on Corporate Governance, pursuant to Regulation 27 of SEBI Listing Regulations.
3. The Company shall submit within the timelines prescribed under Regulation 23(9) of the SEBI Listing Regulations, disclosures on related party transactions on a consolidated basis, in the format specified by SEBI from time to time and publish the same on its website.
4. As prescribed under Regulation 46(2)(g) of the SEBI Listing Regulations, this Policy shall be disclosed on the Company's website viz. www.mep.ltd.

F. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY:

- In the event the Company becomes aware of a transaction with a related party, that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or

termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

- In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party, etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

G. AMENDMENTS TO THE POLICY:

This Policy is subject to review by the Board of Directors and the Audit Committee of the Company, from time to time and at least once in every three years.

Date: August 28, 2025