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**L&T Technology Services Limited**

**RELATED PARTY TRANSACTIONS POLICY**

**PREAMBLE:**

L&T Technology Services Limited (“LTTS” or “the Company”) is a subsidiary company of Larsen & Toubro Limited. The Company always endeavours good corporate governance and internal control systems.

The Board of Directors (“the Board”) of the Company understands the importance of stakeholder’s confidence and trust in the Company. In order to preserve the same with transparency and to ensure that there is no conflict of interest inflicting any apprehension in the minds of its stakeholders, the Board of the Company, acting upon the recommendation of its Audit Committee (“the Committee”), has adopted the following policy and procedures with respect to Related Party Transactions of the Company.

**PURPOSE:**

The policy is not only to be in the best interests of its stakeholders but also in due compliance with the requirements of the Companies Act and other applicable laws of the country Further, as per Regulation 23(1) of the Securities And Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 (‘SEBI LODR’), a policy needs to be formulated to deal with Related Party Transactions including formulating a policy on materiality of Related Party Transaction.. This policy therefore lays down the mechanism to deal with Related Party Transactions.

**DEFINITIONS:**

“Act” means the Companies Act, 2013.

“Arm’s length transaction” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.



“Listing Agreement” means the Equity Listing Agreement entered by the Company with the respective Stock Exchanges in India.

“Material transactions” would mean related party transactions as defined under the explanation to Regulation 23(1) of SEBI LODR and contracts or arrangements given under Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 requiring shareholder’s approval.

Material transactions would mean annual total transactions with any single related party exceeding 10% of the annual consolidated turnover of the Company and /or a single transaction exceeding Rs.500 Crore effective 1<sup>st</sup> April 2019.

Payment to related party towards brand usage or royalty, exceeding 2% of annual consolidated turnover of the Company as per the last audited financial statement, shall also be considered as ‘material transaction’ effective from 1<sup>st</sup> April 2019

‘Ordinary Course of Business’ means normal, regular business activities carried out by the Company in line with its Memorandum and Articles of Association.

“Related Party” is a party as defined in sub-section (76) of section 2 of the Act and Regulation 2(zb) of SEBI LODR.

“Related Party Transaction” or “RPT” means transactions as given under clause (a) to (g) of sub-section (1) of section 188 and as defined in Regulation 2(zc) of SEBI LODR.. These include sale, purchase, leasing or supply of goods or property, availing / rendering of any services, appointment of agents for any of the above and underwriting of securities.



### **POLICY:**

All RPT's should be referred to the Audit Committee of the Company for approval with effect from July 15, 2016, irrespective of its materiality. The Audit Committee shall also approve any subsequent modification of RPT's. The onus will be on Finance & Accounts Head to refer RPT or potential RPT's to the Audit Committee. The Audit Committee shall consider the following while determining approval to an RPT –

- Nature of relationship with related party;
- Nature, material terms, monetary values and particulars of the contract or arrangement;
- Method and manner of determining the pricing and other commercial terms;
- Whether the transaction is at arm's length; and
- Any other information relevant or important for the Audit Committee / Board to take a decision on the proposed transaction.

Since, the Company is having several subsidiary and associate (S&A) companies, often contracts / arrangements with S&A companies would result in RPT's. However, it is to be considered that subsidiaries are formed for particular purposes like requirement of specific regulatory authorities, venturing into new sectors, etc. Though the contracts / arrangements entered into with S&A companies may be RPTs, they would be in the ordinary course of business itself.

Once such contracts / arrangements are approved by the Audit Committee, transactions arising out of the same would not be subject to evaluation when they are executed. This process will be monitored by the F&A head continuously.



### **APPROVAL OF TRANSACTIONS:**

The Audit Committee, on its own or on recommendation of the management will approve certain transactions with related parties which would occur on regular basis or at regular intervals. The Audit Committee shall at the end of each year appraise the position of the approved transactions to ensure that all necessary requirements are being complied with.

It has been decided that any charge for sale/purchase of products, goods, etc. or availing/rendering of services in the normal course of business would be levied upon the wholly owned subsidiaries at cost and upon others at cost plus appropriate margin. The F&A Head will bring the deviations to the Audit Committee / Board for ratification.

The Board will approve all RPT's which are not at arm's length and / or which are not in the ordinary course of business.

Non- Independent Committee members/ Directors will not participate in the discussions on Related Party Transactions during the Committee/ Board Meetings.

### **PROCEDURE**

All material transactions would require approval of the shareholders, based on recommendation of the Board, through ordinary resolution passed at the general meeting. None of the parties concerned or having interest in the transaction, directly or indirectly, shall vote to approve the transaction. If the Audit Committee or its Chairperson or the Chief Financial Officer determines that a RPT should be referred to the Audit Committee or if the Audit Committee in any case elects to review any such matter, the Audit Committee will review and approve the contracts / arrangements / transactions, including modifications.

### **DISCLOSURE**



Appropriate disclosures as required under the Act and the SEBI LODR will be made in the Annual Return, Board's Report and to the Stock Exchanges.

### **REVIEW AND AMENDMENT:**

Any changes in the policy on account of regulatory requirements will be reviewed and approved by the Audit Committee and the Board. The Audit Committee / Board will give suitable directions / guidelines to implement the same.

The Board will review the Policy at least once in three years effective from 1<sup>st</sup> April 2019.