DREDGING CORPORATION OF INDIA LIMITED ("DCIL")

POLICY ON RELATED PARTY TRANSACTIONS

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POLICY ON RELATED PARTY TRANSACTIONS

1. Preamble

Dredging Corporation of India Limited (the **"Company"**) has formulated this policy on Related Party Transactions in line with the requirements of Section 188 of the Companies Act, 2013 (**"Act"**) read with the rules made thereunder and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the **"Listing Regulations**") updated from time to time.

Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Financial Statements; transactions between the Company and its Related Parties. The related party transactions falling under the provisions of Section 188(1) of the Act and the Listing Regulations are required to be disclosed in the Boards' Report along with the justification for entering into such contract/ arrangement. In terms of the aforesaid Listing Regulations, the Company is required to disclose the policy on dealing with Related Party Transactions on its website and a web link of such policy in its Annual Report.

2. Objective

The objective of this policy is to regulate transactions between the Company and its related parties based on the laws and regulations applicable on the Company. All the Related Party Transactions, as that term is defined in this policy, shall be subject to review/approval/ modification in accordance with the procedures set forth below in order to ensure the transparency and procedural fairness of such transactions. The Companies Act, 2013 and the Listing Regulations requires a Company to obtain approval of the Audit Committee, Board and the members and in certain situations, prior to entering of any transaction or agreement with the related party.

3. Definitions

a. **"**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.

b. "Ordinary Course of business"

Related Party Transactions that are part of regular business activities, and connected financial activities, of any organization in similar business and size shall be considered to be in the ordinary

course of business operations.

Following are some of the criteria that may be considered for determining whether the transaction is in the ordinary course of business:

I. Nature: Whether the scope of the transaction is generally consistent with the Company's business activities and whether the Company enters into, or can enter into, similar transactions with a third party;
II. Frequency: Whether the transaction is of a nature regularly carried out by the Company, is an important indication that classifies the transaction to be within the Company's ordinary course of business operations;
III. Size of transaction: Whether the transaction value is within the reasonable range for similar types of other transactions. An exceptionally large value transaction should invite closer scrutiny.

These are not exhaustive criteria and the Company shall assess each transaction considering its specific nature and circumstances.

c. "Board" means Board of Directors of the Company.
d. "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner;

   Provided that a director or officer of a target company shall not be considered to be in control over such target company, merely by virtue of holding such position;

e. "Committee" means the Audit Committee of the Company.

f. "Effective date": This Policy shall be effective from the date of approval and adoption of the policy by the Board.

g. "Key Managerial Personnel ("KMP")**"** means key managerial personnel as defined under the Companies Act, 2013 and includes the following, if applicable;

   a) the Chief Executive Officer or the Managing Director or the Manager;
   b) the Company Secretary;
   c) the Whole-time Director;
   d) the Chief Financial Officer;
   e) 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

f) Such other officer as may be prescribed under the Act.

h. “Associate Company” in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation. —For the purposes of this clause, —

(a) the expression “significant influence” means control of at least twenty per cent. of total voting power, or control of or participation in business decisions under an agreement;

(b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;

i. “Material Related Party Transaction” means:

Related Party Transaction with respect to brand usage or royalty

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 five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

Other Related Party Transaction

A transaction(s) with a related party to be entered into individually or taken together with previous transactions during a financial year, exceeds the following:

Consolidated Turnover of Listed Entity Threshold	**Threshold**
(I) Up to ₹20,000 Crore	10% of the annual consolidated turnover of the listed entity
(II) More than ₹20,000 Crore to upto ₹40,000 Crore	₹2,000 Crore + 5% of the annual consolidated turnover of the listed entity above ₹20,000 Crore
(III) More than ₹40,000 Crore	₹3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above ₹40,000 Crore or ₹5000 Crores, whichever is lower.

Explanation: For the purpose of computing the thresholds stated

above, the annual consolidated turnover of the listed entity shall be determined based on the last audited financial statements of the Company.

j. "Material Modification" in relation to a Related Party Transaction shall mean:

1. The transactions/Contract entered by the Company ceased to be on Arms' Length.
2. The transactions/Contract entered by the Company ceased to be in ordinary course of business.
3. Any novation of the Contract/or arrangement to a third party.
4. Any modifications in the existing RPT having variance of 25% or more of the existing limit/pricing/basis of pricing/value of Transactions/ contract/ arrangement as approved by the audit committee.

Provided further that the following shall not be considered as material modification:

i. modifications which may be mandated pursuant to change in law;
ii. modifications pursuant to and in accordance with the terms of the approved transaction/contract, whether with or without mutual consent of parties, as the case may be;
iii. modifications resulting from change in constitution of either of parties pursuant to scheme of arrangement (eg: merger, amalgamation, demerger, etc.);
iv. modifications which are purely technical and do not result in substantive change or alteration of rights, interests, and obligations of any of the parties;
v. modifications uniformly affected for similar transactions with unrelated parties.

k. "Policy" means Policy on Related Party Transaction.

l. "Related Party" shall have the same meaning as assigned to in the Companies Act, 2013 and the Listing Regulations as amended from time to time.

m. "Related Party Transaction" means a transaction involving a transfer of resources, services or obligations between:

(i) Company on one hand and a related party of the Company or any of its subsidiaries on the other hand; or

(ii) Company 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 Company or any of its subsidiaries;

regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a 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 shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified.

(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 the Company or its subsidiary by its directors or key managerial personnel of the Company or its subsidiary, and relatives of such directors or key managerial personnel or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees, directors, key managerial personnel and relatives of directors or key managerial personnel:

n. “Relatives” mean such person as defined in Section 2(77) of the Companies Act, 2013, as amended from time to time.

As per Section 2(77) of the Companies Act, 2013 and Rule 4 of Companies (Specification of Definitions Details) Rules, 2014 following are covered under definition of relatives:

1) Members of HUF
2) Spouse
3) Father (includes step-father).
4) Mother (includes the step-mother).
5) Son (includes the step-son).
6) Son’s wife
7) Daughter
8) Daughter’s husband
9) Brother (includes the step-brother).
10) Sister (includes the step-sister).

4. Identification of Related Parties and Process for entering into a Related Party Transaction

The following process shall be followed to ensure all related parties are identified in order to obtain the requisite approvals for any transactions with such related parties:

1) Every director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals, including his shareholding, in Form MBP–1 “Notice of Interest by Director” pursuant to Section 184(1) and Rule 9 of the Companies (Meeting of Board and its Powers) Rules, 2014 or such other form as may be prescribed.

2) Every Director shall also furnish declaration in relation to their relatives, their relatives’ partnership in firms, interest/shareholding/directorships in private companies and public companies.

3) Declaration by KMPs of the Company regarding relatives and entities over which they are able to exercise significant influence etc.

4) Declaration by the Director and Manager whether the Board of Directors, Managing Director or Manager of any other body corporate is accustomed to act in accordance with his/her advice, directions or instructions (given otherwise than in a professional capacity).

5) Declaration by Directors and Manager of Company whether they are accustomed to act in accordance with the advice, directions or instruction of any person (given otherwise than in a professional capacity) and if yes particular of such persons(s).

6) Declaration by the CFO whether any company is a holding, subsidiary or an associate company (including a joint venture company) or an investing company of the company or a fellow subsidiary company, if yes, particulars of relevant companies to be provided.

7) Declaration by Company Secretary regarding any individual owning, directly or indirectly, an interest in the voting power of the Company that gives such individual control or significant influence over the Company and regarding investing Company and venturer of the Company.

The Company strongly prefers to receive such declarations/ notice of any potential Related Party Transaction well in advance so that the Board has adequate time to obtain and review information about the proposed transaction. The above declarations shall be collated and maintained by the Company Secretary. Further, the declarations so collated shall be revisited as and when required to add, remove and modify the name of the identified related party.

On the basis of declaration received as detailed above, Corporate Finance and Corporate Secretarial Department(s) shall maintain a database of Company's Related Parties. The Related Party List shall be updated and reviewed whenever necessary at least once a year, as on 1st April every year.

The process for entering into a Related Party Transaction will be as set out below:

Transactions with Related Parties shall generally be in the form of master agreements which would define the terms governing individual transactions / work orders / purchase orders (Sub-transactions) to be undertaken under the agreement.

The Company will:

a. identify the transactions with Related Parties;
b. perform tests to determine whether the transaction is in the ordinary course of business or otherwise;
c. review the commercials terms involved in the transaction and analyze whether the transaction is at 'arm's length' as if the party is unrelated;
d. determine the approval requirements applicable to the transaction in accordance with this Policy and applicable laws;
e. prepare and maintain relevant documentation supporting the basis of its assessment;
f. present the required details to the Audit Committee/Board or Shareholders for approvals as required and
g. execute agreement once the approvals are obtained.

In connection with review of a Related Party Transaction, the Company will take into account, among other factors it deems appropriate, whether the Related Party Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Party's interest in the Related Party Transaction. Company shall inter alia refer to the transfer pricing provisions under Income Tax Act or OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administration for determining the arms' length criteria or provisions under any other applicable law.

Company shall also consider, whether the Related Party Transaction would present a conflict of interest with respect to any director or KMP of the Company, taking into account the size of the transaction, the overall financial position of the director/KMP or other Related Party, the direct or indirect nature of the director's, KMP's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors deems relevant.

5. Approval of the Audit Committee

In accordance with the section 177 of the Companies Act, 2013 and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, all related party transactions and subsequent material modifications will require prior approval of the Audit Committee.

Further, 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 the Listing Regulations.

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

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) 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 Regulation 23(9) of the 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 authorized by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

Audit Committee may also grant omnibus approval for related party transaction proposed to be entered into by the Company or its subsidiary subject to fulfillment of the following conditions:

a. The Audit Committee may grant omnibus approval to related party transactions subject to fulfilment of the criteria laid in the Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2015 read with Section 177(4) of the Companies Act, 2013 and Regulation 23 (3) of the Listing Regulations and such other criteria as the Committee may deem fit.

b. The Audit Committee shall satisfy itself about the regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company;

c. transactions put up for omnibus approval shall specify/disclose
   (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, aggregate value of such transactions,
   (ii) the indicative base price / current contracted price and the formula for variation in the price, if any and
   (iii) such other information as the Audit Committee may deem fit;

   Further, the Company shall provide the information prescribed under SEBI Circulars/Regulations, for review of the audit committee for approval of a RPT.

   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 Crore per transaction.

d. Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of one year.

e. omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

f. Any other conditions as the Audit Committee may deem fit.

g. Audit Committee shall review, atleast on quarterly basis, the details of related party transaction entered into by the Company pursuant to each of the omnibus approvals given.

6. Approval of Board

Subject to the exemptions as prescribed under Section 188 (1) of the Act and the Listing Regulations, related party transactions which are not in the ordinary course of business or not an Arm's Length Transaction, or are material in nature are required to be approved by the Board of the Company under the said provisions and shall be entered into and acted upon, only after such approval is accorded by the Board.

Further any contract or arrangement requiring approval of the Board is entered into by a director or any other employee, without obtaining the consent of the

Board as required under 188 (1) and if it is not ratified by the Board at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board.

Any director of the Company who is concerned or interested in a contract or arrangement, shall in terms of the provisions of the Act, disclose the nature of his concern or interest before or at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting during the discussion and voting on the subject matter of the resolution relating to such contract or arrangement. Further, in case the contracts or arrangements between the Company and any other Company which is related, is proposed, the common director(s) shall abstain from discussion and voting.

The Compliance Officer shall certify on quarterly basis to the Board of Directors on the due compliance of laws on related party transactions of the Company.

Management shall present to the Board the following information, to the extent relevant, with respect to the Related Party Transactions for their approval:

1) the name of the related party and nature of relationship;
2) the nature, duration of the contract and particulars of the contract or arrangement;
3) the material terms of the contract or arrangement including the value, if any;
4) any advance paid or received for the contract or arrangement, if any;
5) justification for entering into such contract/arrangement or transaction;
6) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
7) 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
8) any other information relevant or important for the Board to take a decision on the proposed transaction.

7. Transactions with related parties requiring shareholders' approvals

a. As per the provisions of the Companies Act, 2013, approval of the shareholders shall be required for entering into the Related Party Transactions which are either not in the ordinary course of business or not on arms' length and exceeding the limits prescribed under the Act read with the rules framed thereunder

and the circulars/notifications, etc. issued by the Ministry of Corporate Affairs and Securities and Exchange Board of India, from time to time.

b. Further any contract or arrangement is entered into by a director or any other employee, without obtaining approval by a resolution in the general meeting under Section 188(1) and if it is not ratified by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the shareholders.

c. All Material Related Party Transactions and subsequent material modifications shall require prior approval of the shareholders as per the Listing Regulations, and no related party shall vote to approve such transactions whether the entity is a related party to the particular transaction or not.

Provided that the omnibus approval granted by the shareholders for material related party transactions in an annual general meeting shall be valid till the date of the next annual general meeting held within the timelines prescribed under Section 96 of the Companies Act, 2013 or rules, notifications, or circulars issued thereunder from time to time.

Provided further that in case of omnibus approvals for material related party transactions, granted by shareholders in general meetings other than annual general meeting, the validity of such omnibus approvals shall not exceed one year from the date of such approval.

Further, the Company shall provide the information prescribed under SEBI Circulars/Regulations along with other necessary information as may be prescribed under Companies Act from time to time, for review of the Shareholders for approval of a RPT.

8. Exemption from approval

Notwithstanding the foregoing, the following transactions shall not require approval of Board or Shareholders:

1) Any transaction that involves the providing of reimbursements or advances to a director or KMP to meet expenditure in the course of his or her duties as such Director or KMP of the Company;
2) Any remuneration paid to a director or KMP as per the policy of the Company and/or under the provisions of the Companies Act, 2013;
3) Sitting fees paid to director(s) in terms of the provisions of the Companies Act, 2013.

9. Exceptions

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Board. The Board 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.

10. Disclosure

The particulars of contracts or arrangement with Related Parties referred to in section 188(1) of the Act shall be disclosed in the report of the Board as per Section 134 of the Act. Further, the Company shall provide additional disclosures on related party transactions as required under the Listing Regulations.

11. Amendment or modification in the policy

The Policy shall be reviewed annually or at earlier intervals, if necessary. Consequent upon any changes in regulatory guidelines, such change shall be deemed to be a part of the policy and same shall be placed before the Audit Committee /Board for ratification/approval.

Notwithstanding anything contained in this Policy, in case of any contradiction of the provision of this policy with any existing legislations, rules, regulations, laws or modification thereof or enactment of a new applicable law, the provisions under such law, legislation, rules, regulation or enactment shall prevail over this Policy.

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