

# Related Party Transactions Policy

## 1) SCOPE AND PURPOSE OF THE POLICY

Related party transactions can present a potential or actual conflict of interest that may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed thereunder and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (“SEBI Listing Regulations”) Tata Elxsi Limited (“TEL”) 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.

In light of the above, TEL has framed this Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

## 2) OBJECTIVE OF THE POLICY

The objective of this Policy is to set out:

- (a) the materiality thresholds for related party transactions and;
- (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.
- (c) lay down the guiding principles and mechanism to ensure proper approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties in the best interest of the Company and its stakeholders.

## 3) DEFINITIONS

All terms used in this Policy will have the meanings as assigned to them under the Act and the Rules made thereunder, SEBI Listing Regulations, and applicable Accounting Standards, as amended from time to time.

**Related Party Transaction:** “Related Party Transaction” is a transfer of any resources, services or obligations between the Company and a related party, regardless of whether a price is charged, and shall have the meaning

as defined under Regulation 2(1)(zc) of the SEBI Listing Regulations or as envisaged in Section 188(1) of the Act.

A transaction with a related party shall be construed to include a single transaction or a group of transactions in a contract.

**Related Party:** “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, Government of India and SEBI and other Authorities from time to time on the interpretation of the term “Related Party”.

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

**Material Related Party Transactions:** “Material Related Party Transaction” shall have the same meaning as defined in Regulation 23 of the SEBI Listing Regulations.

**Material Modification** shall mean an amendment to the terms of a transaction/agreement/commitment with/to a Related Party, the effect of which will be an increase over the approved limit for a transaction, by an amount more than Rs. 20 (twenty) Crores in a financial year or 20% (twenty per cent) of the approved limit, whichever is higher.

#### **4) MATERIALITY THRESHOLDS**

Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which the approval of shareholders will be required.

TEL has fixed its materiality thresholds at the level prescribed under explanation to Regulation 23(1) of the SEBI Listing Regulations as under:

- a) In case of transaction(s) involving payments made to a Related Party with respect to brand usage or royalty, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 5 per cent (5%) of the annual consolidated turnover of the Company as per its last audited financial statements.
- b) In case of any other transaction, if the amount of the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1,000 crores or 10%, of the annual consolidated turnover of the Company as per its last audited financial statements, whichever is lower.

#### **5) MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS**

**a. Identification of related parties**

TEL has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed thereunder and Regulation 2(1)(zb) of the SEBI Listing Regulations.

**b. Identification of related party transactions**

TEL has formulated guidelines for the identification of related party transactions in accordance with Section 188 of the Act and Regulation 2(1)(zc) of the SEBI Listing Requirements. TEL has also

formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company seeks external professional opinion, if necessary.

**c. Procedure for approval of related party transactions**

• Approval of the Audit Committee

All related party transactions and subsequent material modifications thereof, will require prior approval of the Audit Committee, whether at a Meeting or by resolution by way of Circular Resolution. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, provided that only those members of the Audit Committee, who are Independent Directors, shall approve such Related Party Transactions. Further, any member of the Audit Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the related party transaction.

- The Audit Committee may grant omnibus approval in compliance with requirements of the Act and the SEBI Listing Regulations.;
- The Audit Committee shall satisfy itself on the need for such omnibus approval and that such approval is in the interest of the Company;
- In case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 crore per transaction, which shall be valid for a period not exceeding 1 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 approval given;

Approval of the Board of Directors of the Company

The following kinds of transactions with related parties are also placed before the Board for its approval:

- The Audit Committee shall report all Material Related Party Transactions & subsequent Material Modifications to the Board.
- Where approval of Board is required for any Related Party Transaction or if the Board, in any case, elects to review any such matter or it is mandatory under any law for the Board to approve the Related Party Transaction or material modifications thereof.
- Transactions meeting the materiality thresholds laid down Clause 5 of the Policy, which require approval of shareholders.

• Approval of the Shareholders of the Company

Unless exempted, the Company shall seek prior approval of shareholders for “Material Related Party Transactions and subsequent Material Modifications” in a general meeting in the year in which the Related Party Transaction is undertaken or by postal ballot process. The resolution shall be an ordinary resolution or such resolution as may be required by the Companies Act and the Listing Regulations and all the Related Parties (if any) will abstain from voting on such resolution irrespective of whether the concerned entity is a party to the particular transaction or not.

In addition to the above, all kinds of transactions specified under Section 188 of the Act, which (a) are not in the ordinary course of business and at arm's length basis; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 or Listing Regulations, as amended from time to time shall be placed before the shareholders for its approval.

## **6) DISCLOSURES**

- (i) The Board's Report will contain details of contracts or arrangements or transactions (i) not at arm's length basis and (ii) material (based on the thresholds laid down under Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014) contracts or arrangement or transactions at arm's length basis and/or in ordinary course of business, along with justification for entering into such transaction in accordance with the requirements of Companies Act, 2013 and rules made thereunder.
- (ii) The Company shall submit disclosures of related party transactions along with the financial results for the half year on a standalone / consolidated basis, in the format specified by the SEBI, from time to time, and publish the same on its website.
- (iii) The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year ending September 30 and March 31, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

As prescribed under Regulation 46(2)(g) of the SEBI Listing Regulations, this Policy shall be disclosed on the Company's website viz. [www.tataelxsi.com](http://www.tataelxsi.com).

## **7) 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.

## 8) REVIEW OF THE POLICY

The Audit Committee may, for the purpose of aligning this Policy with the regulatory changes, amend any provision(s) or substitute any of the provision(s) with new provision(s) or replace the Policy entirely with a new Policy.

The Board may also, based on the recommendations from the Audit Committee, make any amendments to the Policy from time to time. The Policy shall be reviewed by the Board at least once in every 3 (three) years and updated as may be required.

*Provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications, etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s), etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.*

April 20, 2022