



POLYCAB INDIA LIMITED

**Policy on materiality of related party transactions and dealing with
related party transactions**

<i>Particulars</i>	<i>Date</i>	<i>Version</i>
<i>Policy adopted</i>	<i>September 20, 2018</i>	<i>1.0</i>
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1. Title

This policy shall be called the 'Policy on materiality of related party transactions and dealing with related party transactions' ("**Policy**").

2. Commencement

The Policy shall come in to force with effect from the date of listing of the equity shares of face value of Rs. 10/- each of Polycab India Limited (the "**Company**") on the Recognised Stock Exchange in India.

3. Objective

3.1 Related party transactions have been one of the major areas of focus for corporate governance reforms being initiated in India. The changes introduced in the corporate governance norms through Section 188 of the Companies Act, 2013, as amended and the rules framed thereunder ("**Companies Act**") and Regulation 23 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended ("**SEBI Listing Regulations**") require the companies to have enhanced transparency and due process for approval of the related party transactions. Pursuant thereto, Section 188 of the Companies Act and Regulation 23 of the SEBI Listing Regulations require the Company to formulate a policy on materiality of related party transactions and also on dealing with related party transactions including clear threshold limits duly approved by the Board. Further, the Industry Standards on "Minimum information to be provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transaction (RPT)"("Industry Standards") were introduced to ensure that the related party transactions are conducted transparently, fairly and in the best interests of the Company and its shareholders. The detailed disclosures ensures that the Audit Committee and the shareholders have relevant data to assess the transaction's nature, terms, and potential impact on the Company and to facilitate informed decision-making.

3.2 Accordingly, the Board of Directors ("**Board**") of the Company has adopted the following policy with regard to related party transactions. The Audit Committee of the Company will review this policy on an annual basis and propose any modifications to the Board for approval.

4. Definitions

- "**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.
- "**Audit Committee**" means the audit committee of the Board of Directors of the Company.
- "**Board**" means the Board of directors of the Company.
- "**Company**" means Polycab India Limited.
- "**Key Managerial Personnel**" or "**KMPs**" means Key Managerial Personnel as defined under Section 2(51) of the Companies Act.
- "**Subsequent 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, by 25% or more or by which the transaction ceases to be in ordinary course

and/or on arm's length basis or such other parameter as may be determined by the Audit Committee from time to time.

- **“Material Related Party Transaction”** in relation to the Company means a related party transaction which individually or taken together with previous transactions with a related party during a financial year, exceeds Rupees One Thousand Crore or ten per cent 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 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”

- **“Ordinary Course of Business”** with reference to a transaction with a related party means a transaction which is:
 - I. carried out in the normal course of business envisaged in accordance with the Memorandum of Association of the Company as amended from time to time;
 - II. historical practice with a pattern of frequency;
 - III. common commercial practice; or
 - IV. meets any other parameters/criteria as decided by the Board/Audit Committee, from time to time.
- **“Policy”** means this policy, as amended from time to time.
- **“Related Party”** in relation to the Company means a party related with the Company in any of the ways as laid down in section 2(76) of the Companies Act or under applicable accounting standards and Regulation 2 (1) clause (zb) of **SEBI Listing Regulations**. Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20%¹ or more of shareholding in the listed entity 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 immediate preceding financial year shall be deemed to be a related party.²

¹. Shall be replaced with ten per cent or more which shall be effective from 1st April 2023

². Shall be effective from 1st April 2022.

- **“Related Party Transaction”** as defined in Regulation 2 (1) (zc) of SEBI LODR, 2015 means a transaction involving a transfer of resources, services or obligations between:

(i) 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

(ii) a 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, with effect from April 1, 2023;

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 by the Board: Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

(d) 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”

and includes transactions under the Companies Act or of the SEBI listing Regulations or any other related law, regulation, standard.

“**Relative**” means a relative as defined under the 2(77) of the Companies Act, 2013 and rules prescribed thereunder.

Senior managerial personnel” in relation to a company, means:

Officers and personnel of the company who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the persons identified and designated as key managerial personnel, other than the board of directors, by the company.

5. Interpretation

- 5.1 Any words used in this Policy but not defined herein shall have the same meaning prescribed to it in the Companies Act, the Securities and Exchange Board of India Act, 1992, as amended, or rules and regulations made thereunder including the SEBI Listing Regulations, the applicable accounting standards or any other relevant legislation / law applicable to the Company.
- 5.2 The reference to the masculine gender in the Policy shall be deemed to include a reference to feminine gender.
- 5.3 In case of any dispute or difference upon the meaning/interpretation of any word or provision in this policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee shall be final. In interpreting such term/provision, the Audit Committee may seek the help of any of the officers of the Company or an external expert as it deems fit.

6. Procedure

6.1 Disclosure by Directors and Promoter(s)

- 6.1.1 Every director shall at the time of Induction into the Board and Promoter(s) thereafter shall at the beginning of every financial year provide information by way of written notice to the

Company regarding his concern or interest in the entity with specific concern to parties which may be considered as Related Party with respect to the Company and shall also provide the list of relatives which are regarded as Related Party as per this Policy.

The Directors and Promoter(s) are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this Policy.

7. Approval of Related Party Transactions

7.1 Audit Committee

- 7.1.1 Related party transactions along with subsequent material modifications will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee or the Directors of the Board who has potential interest in any Related Party Transaction will in terms of Rule 15(2) of the Companies (Meeting of Board and its Powers) Rules, 2014 shall not be present at the meeting during the discussions on the subject matter and shall recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction by not being present at the meeting.
- 7.1.2 All the transactions which are identified as Related Party Transactions along with material modifications should be pre-approved by the Audit Committee before entering into such transaction. Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions
- 7.1.3 A related party transaction to which the subsidiary of the 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 ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.⁴
- ³ With effective from 1st April 2022
- ⁴ With effect from 1st April 2023,
- 7.1.4 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.
- 7.1.5 Prior approval of the audit committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party.
- 7.1.6 The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.
- 7.1.7 The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiary[@] subject to the following conditions:
- The 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.

The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;

- ii. 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;

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.

- iii. Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company or its subsidiary** pursuant to each of the omnibus approval given.
- iv. 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:
 - a. 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;
 - b. the transaction is not material in terms of the provisions of this regulation;
 - c. rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
 - d. the details of ratification shall be disclosed along with the disclosures of related party transactions;
 - e. 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 listed entity against any loss incurred by it."

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

The provisions of this clause shall not apply to a transaction, other than a transaction referred to in Section 188, between a holding company and its wholly owned subsidiary company.

7.1.8 Information to be reviewed by the Audit Committee for approval of RPTs:

The Company shall provide the following information, along with the information as per Industry standards, for review of the audit committee for approval of a proposed RPT:

- a. Type, material terms and particulars of the proposed transaction;
- b. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction (particular tenure shall be specified);
- d. Value of the proposed transaction;
- e. The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
 - i. details of the source of funds in connection with the proposed transaction;

- ii. where any financial indebtedness is incurred to make or give loans, inter corporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
- iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
- iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g. Justification as to why the RPT is in the interest of the listed entity;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- j. Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director's interest, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee deems relevant;
- k. Any other information that may be relevant.

7.2 Board of Directors

- 7.2.1 In case of Related Party Transaction which is not in the ordinary course of business or not at arm's length transaction, whether or not it is a material Related Party Transaction, prior approval of the Board through a resolution passed at the meeting of the Board shall be necessary.
- 7.2.2 Where any director is interested in any contract or arrangement with a Related Party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

7.3 Shareholder approval

- 7.3.1 All material related party transactions shall be carried out as per provisions of the Act and SEBI Listing Regulations.
- 7.3.2 If a related party transactions is not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds as prescribed under Section 188 of the Companies Act, it shall require shareholders' approval by a resolution. The Related Parties shall abstain from voting as shareholders in case of Related Party Transactions which require the approval of shareholders.
- 7.3.3 All material related party shall require prior approval of the shareholders through resolution and no related party shall vote such resolutions whether the entity is a related party to the particular transaction or not.
- 7.3.4 However, the shareholders' approval is not required for the transactions entered into between the Company and its wholly owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- 7.3.5 The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the following

information as a part of the explanatory statement: Additionally, the information shall be in line with industry standards.

- i. A summary of the information provided by the management of the listed entity to the audit committee as specified in point 7.1.8 above;
- ii. Justification for why the proposed transaction is in the interest of the listed entity;
- iii. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details specified under point 7.1.8(6) above; (The requirement of disclosing source of funds and cost of funds shall not be applicable to listed banks/NBFCs.)
- iv. A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- v. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- vi. Any other information that may be relevant.

7.4 Process for Dealing with Related Party Transactions

- 7.4.1 A list of all the related parties in relation to the Company received from the Board shall be updated from time to time.
- 7.4.2 Basis the above mentioned list of related parties, every department shall, prior to entering in to any contract or arrangement with a related party, ascertain whether the proposed contract or arrangement satisfies the approval mechanism prescribed under this Policy.
- 7.4.3 The contract/arrangement shall not be entered in to without the necessary approval from the Audit Committee/Board/shareholders, as the case may be. Compliance to this condition will strictly be adhered to by the concerned department proposing the underlying contract or arrangement.
- 7.4.4 All Related Party contracts/arrangements shall require approval of the Audit committee of the Board of Directors or the shareholders of the company as the case may be, as required under and subject to the Act and the Listing Regulations.
- 7.4.5 All international related party contract / arrangements shall comply with International Transfer Pricing Requirement under Section 92B of the Income Tax Act, 1961 including certification from independent accountants, if any, under the Transfer Pricing Regulations.

8. Reporting of Related Party Transactions

- 8.1 Every contract or arrangement, which is required to be approved by the Board/shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- 8.2 The details of material transactions with related parties will be included in the corporate governance reports which are required to be submitted to the stock exchanges on a quarterly basis.
- 8.3 The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report of the Company.

- 8.4 The Company shall disclose details of Related Party transactions every six months within 15 days¹ from the date of publication of its standalone and consolidated financial results.²

9. Amendments

- 9.1 Any subsequent amendment / modification in the SEBI Listing Regulations or any other governing Act / Rules / regulations or re-enactment, circulars or clarification(s), impacting the provisions of this Policy, shall automatically apply to this Policy and the relevant provision(s) of this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.

The Policy shall be reviewed by the Board at least once in every three years or within such period as mandated by any regulatory amendments. and updated accordingly. Any subsequent amendment/modification in the Act or the Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.

10. Communication of this Policy

- 10.1 Either this Policy or the important provisions of this policy shall be disseminated to all functional and operational employees and other concerned persons of the Company and shall be posted on the website of the Company at www.polycab.com

¹ Provided further that the listed entity shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results which shall be effective from 1st April 2023.

² Shall be effective from 1st April 2022