

# Titan Company Limited

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## Related Party Transaction Policy (version 4)

Version No.	Approving Authority	Issue Date
1.	Board of Directors	30 <sup>th</sup> October 2014
2.	Board of Directors	30 <sup>th</sup> October 2015
3.	Board of Directors	10 <sup>th</sup> February 2021
4.	Board of Directors	14 <sup>th</sup> March 2022

Effective Date: 1<sup>st</sup> April 2022

## 1) SCOPE AND PURPOSE OF THE POLICY

Related Party Transactions can present a potential or actual conflict of interest, which 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 read with the Rules framed thereunder, as amended from time to time (“**Act**”) and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, (“**SEBI LODR**”), **Titan Company Limited** (“Titan” or “the Company”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all Related Party Transactions.

Also, Regulation 23(1) of the SEBI LODR requires a company to formulate a policy on materiality of Related Party Transactions and dealing with Related Party Transactions. The said policy is required to include clear threshold limits approved by the Board.

In light of the above, **the Company** 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. In addition to the above, this Policy shall be reviewed by the Board of Directors at least once in three years.

## 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 LODR and any other laws and regulations as may be applicable to the Company.

## 3) DEFINITIONS

“**Act**” means The Companies Act, 2013, as amended from time to time.

“**Arms’ 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.

“**Board Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted under provisions of applicable law and regulations.

“**Board**” means Board of Directors of the Company.

**“Control”** includes 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.

**“Associate Company”** shall have the meaning as defined under sub-section 6 of section 2 of the Companies Act 2013.

**“Key Managerial Personnel”** shall have the meaning as defined under sub-section 51 of section 2 of the Companies Act 2013.

**“Material Related Party Transaction”** means a transaction with a related party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ₹ 1,000 crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

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 listed entity as per the last audited financial statements of the Company.

**“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 where the price/consideration as per the original contract varies by an amount more than ₹ 200 (Two hundred) crore or 20% (twenty per cent), whichever is lower.

Provided further that any modification to the transactions / agreements entered into:

- for sale, purchase or supply of any goods or materials or availing or rendering of any services in the ordinary course of business and on arm’s length basis;
- between the Company and its wholly-owned subsidiary;
- transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the annual general meeting for approval,

shall be excluded from the applicability of above definition.

“**Policy**” means Related Party Transaction Policy.

“**Related Party**” shall have the meaning as defined in Regulation 2(1)(zb) of the SEBI LODR.

Words, terms and expressions used and not defined in these rules or SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 but defined in the Act shall have the same meaning respectively assigned to them in the Act.

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

Listing Regulations requires a company to provide materiality thresholds for transactions beyond which the shareholders’ approval will be required by way of a resolution. The Company has fixed its materiality threshold as per Section 188 of the Companies Act, 2013 read with the Rules framed thereunder and Regulation 23 of the SEBI LODR as amended from time to time. The policy on materiality of related party transactions is as stated in **Annexure-1**.

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

##### **a) Identification of Related Parties**

- Before the start of each financial year, the Company shall draw up a list of Related Party(s) in accordance with the definition given in the Act SEBI LODR and Indian Accounting Standard (Ind AS) 24. Any changes in the list during the financial year shall be made as and when the Company receives information in this regard.
- The Company 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, SEBI LODR and Ind AS 24, as amended from time to time.

##### **b) Identification of Related Party Transactions**

- All Directors and Key Managerial Personnel are responsible for informing the Company of their interest (including their indirect interest) in other companies, firms, body corporate(s) or concerns at the beginning of every financial year and any change in such interest during the year.
- The Company has formulated guidelines for identification of Related Party Transactions in accordance with Section 188 of the Act, Ind AS 24 and SEBI LODR. The said guideline also includes 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, any modifications to transactions with Related Parties as per the provisions of the Act, and subsequent material modifications to transactions with Related Parties as defined under SEBI LODR shall require prior approval of the Audit Committee. Only those members of the Audit Committee, who are Independent Directors, shall approve related party transactions.

All Related Party Transactions to which subsidiary of Company is a party to but Company is not a party, the value of which exceeds the thresholds as prescribed under Regulation 23 of the Listing Regulations shall require prior approval of the Audit Committee.

However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliance with the conditions stipulated under the Act read with the Rules framed thereunder and the SEBI LODR including the following:

- ❖ The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy and such approval shall be applicable in respect of repetitive transactions (either in the past or in the future);
- ❖ The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- ❖ The omnibus approval shall provide details of (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transactions, in aggregate, that can be entered into in a year, maximum value per transaction which can be allowed (ii) the indicative base price / current contracted price and the formula for variation in the price if any (for ex: +/- 5%), (iii) transactions which cannot be subject to the omnibus approval by the Audit Committee, if any and (iv) such other conditions as the Audit Committee may deem fit.
- ❖ However, 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 ₹ 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 Company pursuant to each of the omnibus approval given;
- ❖ Such omnibus approval shall be valid for a period not exceeding 1 financial year and shall require fresh approvals after the expiry of such financial year.

- It is clarified that sale/exchange of the Company products to Directors, Key Managerial Personnel or their respective relatives through Retail outlets or at Company premises availed at a discount or otherwise, applicable to the Directors/Management/Public/ Shareholders shall be treated as exempt transactions for purposes of reporting requirements.
- Any scheme availed for sale/exchange of company products or services of the Company by Directors, Key Managerial Personnel or their respective relatives, at a discount or otherwise, applicable to the Directors/Management/Public/ Shareholders.

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- Interest of any Related Party either directly or indirectly.
- Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- Key covenants (non-commercial) as per the draft of the proposed agreement / contract to be entered into for such transaction;
- Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
  - ❖ market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
  - ❖ third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
  - ❖ management assessment of pricing terms and business justification for the proposed transaction;
  - ❖ comparative analysis, if any, of other such transactions entered into by the company.
  - ❖ establishing comparable prices/terms using a reputed database or indices.
  - ❖ cost-plus method

In case of transactions, other than transactions referred to in Section 188

of the Act and where the Audit Committee does not approve any transaction, it shall make its recommendation to the Board.

Approval or subsequent modification of a transaction (other than those transactions stipulated under Section 188 of the Act) with the Company's wholly-owned subsidiaries, shall not require approval of the Audit Committee.

Approval or subsequent modification of transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval, shall not require approval of the Audit Committee.

- 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, which are not in the ordinary course of business or at arm's length basis, shall be placed before the Board for its approval. Such approval shall be granted only by means of a Resolution passed at a Meeting of the Board.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- ❖ 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) require Board approval in addition to Audit Committee approval;
- ❖ 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;
- ❖ 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.
- ❖ Transactions meeting the materiality thresholds laid down Clause 4 of the Policy (i.e. Material Related Party Transaction) and any subsequent Material Modifications to such Material Related Party Transaction, which are intended to be placed for prior approval of the shareholders.

- Approval of the Shareholders of the Company

All the transactions with related parties, meeting the materiality thresholds

as laid down in **Annexure-1** (i.e. Material Related Party Transaction) and subsequent Material Modifications to such Material Related Party Transaction as defined under SEBI LODR, are to be placed before the shareholders for prior approval.

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 or are not at arm's length basis; or (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 as amended from time to time shall be placed before the shareholders for its approval.

For this purpose, no related party shall vote to approve such resolutions irrespective of whether the entity is a related party to the particular transaction or not.

Regulation 23 (5) (b) of the SEBI LODR and Section 188 of the Act provides that the requirement for seeking shareholders' approval shall not be applicable to transactions between the Company and its wholly-owned subsidiary/ies whose accounts are consolidated with the Company. Hence, no approval shall be sought from the shareholders' for such Related Party Transactions.

Regulation 23(5)(c) of the SEBI LODR, provides that the requirement for seeking shareholders' approval shall not be applicable to transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of the Audit Committee or the Board of Directors or Shareholders, as the case may be:

- Any transaction that involves the providing of compensation, if approved by the Board Nomination & Remuneration Committee, to a Director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
- Any scheme of loans/benefits availed by Key Managerial Personnel, which is applicable to all the employees of certain management level, which are as per the policy of Company.
- Any scheme availed for sale/exchange of company products or services of the Company by Directors, Key Managerial Personnel or



their respective relatives, at a discount or otherwise, applicable to the Directors/Management/Public/ Shareholders.

- Transactions that have been approved by the Board under the specific provisions of the Act, e.g. inter-corporate deposits, borrowings, investments with or in wholly-owned subsidiaries or other Related Parties;
- Payment of Dividend
- issuance of securities by way of a rights issue or a bonus issue;
- 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;
- Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off, approved by the Board and carried out in accordance with the specific provisions of the Act, or SEBI LODR;

## **6) DISCLOSURES**

- The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties,
  - i. Details of contracts or arrangements or transactions which are not in the ordinary course of business or arm's length basis along with the justification for entering into such transaction.
  - ii. Details of contracts or arrangements or transactions which are at Arm's length basis
- Details of Related Party Transactions during the quarter shall be disclosed in the Audit Committee Meeting.
- The Company shall also provide details of all Related Party Transactions meeting the materiality threshold (laid down in Clause 4 of the Policy above) on a quarterly basis to the stock exchanges along with the compliance report on corporate governance. In addition, as required under Regulation 23(9) of the SEBI LODR, the Company shall submit to the stock exchanges on a half-yearly basis, within the timelines as prescribed by SEBI from time to time, the disclosures relating to Related Party Transactions in the format as specified by SEBI from time to time and publish the same on the website of the Company.

## **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.

Further, in case any transaction (not being a specified transaction between the Company and its wholly-owned subsidiary) involving any amount not exceeding ₹ 1 crore is entered into by a Director or Officer of the Company without obtaining the approval of the Audit Committee and which is not ratified by the Audit Committee within 3 months from the date of the transaction, such transaction will be 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 concerned shall indemnify the Company against any loss incurred by it.

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 Company 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.

Further, if any contract / arrangement is entered into by a Director or any other employee without obtaining the consent of the Board / shareholders (by a Resolution) under Section 188(1) of the Act, and if it is not ratified by the Board / shareholders, as the case may be, within 3 months from the date on which such contract / arrangement was entered into, such contract / arrangement shall be voidable at the option of the Board / shareholders, as the case may be, and if the contract / arrangement is with a related party to any Director, or is authorised by any other Director, the Director concerned shall indemnify the Company against any loss incurred by it.

Without prejudice to anything contained in Section 188(3) of the Act, it shall be open to the Company to proceed against a Director or any other employee who has entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract / arrangement.

**POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS**

**1. OBJECTIVE**

Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, requires a company to inter alia formulate a policy on materiality of related party transactions (including clear threshold limits duly approved by the Board of Directors).

**2. MATERIALITY LIMITS**

A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ₹ 1,000 crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower, or such other threshold as may be prescribed under SEBI LODR as amended from time to time.

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 five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, or such other threshold as may be prescribed under SEBI LODR as amended from time to time.

**3. APPLICABILITY**

All material related party transactions shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

March 14, 2022