

**BOSCH LIMITED**

**RELATED PARTY TRANSACTION POLICY**

<b>Approver:</b>	<b>Audit Committee</b>
<b>Updated on:</b>	<b>February 13, 2019</b>

**TABLE OF CONTENTS**

<b>No</b>	<b>Details</b>	<b>Page No</b>
1	INTRODUCTION	3
2	OBJECTIVES	3
3	DEFINITIONS	3
4	REVIEW AND APPROVAL OF RELATED-PARTY TRANSACTIONS	5
5	APPROVAL OF THE BOARD AND THE SHAREHOLDERS	7
6	DISCLOSURE	8
7	POLICY REVIEW	9

## **Related Party Transaction Policy**

### **INTRODUCTION**

Bosch Limited (the “Company” or “Bosch”) has formulated this Related Party Transaction policy (this “Policy”) in line with Regulation 23 of the Securities and Exchange Board of India ( Listing Obligation and Disclosure Requirements), 2015 as amended by Securities and Exchange of India ( Listing Obligation and Disclosure Requirements) ( Amendment) Regulations, 2018 ( “**LODR Regulations**”).

### **OBJECTIVES**

The Audit Committee of the Company has approved this Policy to set forth the procedures under which transactions between the Company and Related Parties shall be identified and reviewed for approval or ratification in accordance with the procedures set forth below and as prescribed under LODR Regulations and the Companies Act 2013 and the rules framed thereunder (including any statutory modification(s) or re-enactment thereof) (the “Act”).

No Related Party transaction may be entered into or no existing Related Party transaction shall be modified or renewed by the Company, except in accordance with the provisions of this Policy.

### **DEFINITIONS**

“**Audit Committee**” or “**Committee**” means the audit committee of the Board of Directors of the Company constituted in accordance with the requirements prescribed under the Act and LODR Regulations.

“**Key Managerial Personnel**” shall have the meaning ascribed to it under the Act.

“**Material Related Party Transaction**” means any transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year exceed 10% of the annual consolidated turnover of the Company as per its last audited financial statements.

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, exceeds two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“**Related Party**”: - an entity shall be considered related to the Company if:

- (i) such entity is a related party under Section 2(76) of the Act ; or
- (ii) such entity is a related party under the applicable accounting standards.

Provided that any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding of the Company shall be deemed to be a related party.

An extract of the relevant definitions under Section 2(76) of the Act and Accounting Standard – 24 (which is the relevant accounting standard in this regard) is set forth in Annexure A.

“**Related Party Transaction**” means any transaction involving transfer of resources, services or obligations between a company and a Related Party, regardless of whether a price is charged.



## Related Party Transaction Policy

*Explanation*—A “transaction” with a related party shall be construed to include single transaction or group of transactions in a contract.

“**Relative**” shall have the meaning ascribed to it under the Act.

In the event of any inconsistency or conflict between a term as defined in this Policy and as prescribed under LODR Regulations, the Act or AS-24 (as applicable), the definition under such relevant regulatory framework would prevail.

### **RELATED PARTIES**

The Related Parties of the Company would have to be identified and ascertained in light of the aforementioned definition of Related Party.

Each director, manager and key managerial personnel of the Company shall disclose to the Company, a list of all persons, companies, firms, body corporates and other entities (together with their interest/holding thereunder) who/which would be categorized as a Related Party to the Company. The list shall be submitted to the Company (i) at the time of appointment of such person to office; and (ii) at the first meeting of the Board held in every financial year, subject to immediately intimating the Company of any modification/variation to the list so provided.

The obligations of the directors and key managerial personnel of the Company to disclose their interest as required under the Act are in addition and not in substitution of the aforementioned obligations. In addition, the directors have to give an undertaking that all business transactions entered into between Bosch and themselves comply with the terms of this Policy.

Similarly, the disclosure obligations of the directors and key managerial personnel hereunder would not supersede or prevail over the right and obligation of the Audit Committee and the Board to evaluate and determine whether a party is a Related Party, whose decision shall be final.

Further, based on the group structure of Bosch, and investments made by or in Bosch, the Audit Committee and the Board should determine whether any entity would be a Related Party.

### **REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS**

1. Subject to the omnibus approval process referred to under Regulation 23 of LODR Regulations and hereunder, all Related Party Transactions shall require the prior approval of the Audit Committee.
2. Accordingly,
  - a. Prior to the commencement of each financial year, the Audit Committee shall meet to consider the Related Party Transactions of Bosch for the financial year; and
  - b. During the financial year, if any Related Party Transaction is proposed to be entered, the Audit Committee shall consider the approval of the said Related Party Transaction at the relevant time.
3. The management shall present to the Audit Committee the following information with respect to each Related Party:
  - a. The name of the Related Party and the basis on which such person or entity is a Related Party (nature of relationship);
  - b. Nature, duration and particulars of the contract/transaction thereof;

## Related Party Transaction Policy

- c. In case of existing or approved contracts, transactions, details of proposed variations to the duration, current price / value and / or other terms of the contract or arrangement including a justification for the proposed variations;
  - d. The value of the contract, the consideration for the contract, an advance payments or security deposits, the manner of determining the pricing and other commercial terms of the contract;
  - e. Copy of the agreement, contract, purchase order or correspondence etc., if any;
  - f. Valuation reports in case of sale or purchase or leasing / renting of capital assets such as building, if any and if required by the Committee;
  - g. Justification as to the arm's length nature of the proposed transaction; and
  - h. Any other relevant, important or material information regarding the transaction(s) or the Related Party's interest in the transaction(s), including such other information as the Committee may require.
4. After reviewing such information and after seeking such other information, documentation and clarifications that the Committee may require, the members of the Audit Committee (without the participation of the Audit Committee member(s) interested in the transaction, if any) may approve or disapprove such transaction(s), subject to such monetary or other limitations and conditions as the Committee may deem fit. The Committee may convene, adjourn, re-convene and hold afresh such number of meetings as it may require in this regard.
5. Approval of Related Party Transactions shall be given only if it is determined by the Audit Committee that such transactions are:
- a. in (or not inconsistent with) the best interests of the Company and its shareholders; and
  - b. on terms that are fair and comparable to those that would be obtained in arm's length transactions with unrelated third parties.
  - c. within the threshold limits/ criteria approved by the Board of Directors.

The Committee shall have due regard to (i) the business and commercial rationale for the transaction; (ii) alternate options available with the Company; and (iii) the nature and extent of any interest, including any actual or potential conflict of interest of the management, Board members, key managerial personnel and shareholders.

6. No member of the Audit Committee shall participate in the review, consideration or approval process of any Related Party Transaction with respect to which he is interested.

### **OMNIBUS APPROVAL BY AUDIT COMMITTEE**

The Audit Committee would grant omnibus approval only if it is satisfied of the need of such approval and that it meets the criteria set out hereinabove (Para 5) for approval of Related Party Transactions.

## **Related Party Transaction Policy**

The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature.

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Audit Committee may grant standing pre-approval / omnibus approval. While granting the approval, the Audit Committee shall satisfy itself of the need for the omnibus approval and that the same is in the interest of the Company. The omnibus approval shall specify the following:

- a. Name of the related party.
- b. Nature of the transaction.
- c. Period of the transaction.
- d. Maximum amount of the transactions that can be entered into.
- e. Indicative base price / current contracted price and formula for variation in price, if any.
- f. Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction. The thresholds and limitations set forth by the Committee would have to be strictly complied with, and any variation thereto including to the price, value or material terms of the contract or arrangement shall require the prior approval of the Audit Committee.

Further, where the need of the related party transaction cannot be foreseen and all prescribed details (as aforementioned) are not available, the Audit Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only). The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification.

Further, the Audit Committee shall, on a quarterly basis, review and assess such transactions including the limits to ensure that they are in compliance with this Policy. The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

### **APPROVAL OF THE BOARD AND THE SHAREHOLDERS**

The Company shall ensure strict compliance with its obligations under the Act in relation to related party transactions, as defined thereunder, including:

- a. Procuring the prior approval of the Committee. The process set forth hereinabove in relation to approval by the Committee shall *mutatis mutandis* apply to such approval under the Act;
- b. Consent of the Board by a resolution at a board meeting, with interested directors recusing themselves;

On the transaction being approved by the Audit Committee, the matter shall be placed before the Board for its approval, if any required. In granting such approval, the Board shall have due regard to the factors set forth in Paragraph (5) above.

## **Related Party Transaction Policy**

- c. Consent of the shareholders by way of an ordinary resolution if the transaction exceeds the thresholds prescribed under the 2013 Act (as detailed in Annexure B); and

Whether exception for transactions entered in the ordinary course of business and on an arm's length basis can be invoked shall be established by placing reliance upon (i) a valuation report obtained from a valuer; and (ii) an independent opinion from a legal counsel.

- d. Complying with the disclosure requirements in the agenda for the board meeting and the explanatory statement for the general meeting.

Under Regulation 23 of LODR Regulations, all Material Related Party Transactions shall require approval of the shareholders. The resolution will be an ordinary resolution and no entities falling under the definition of Related Parties shall vote to approve, irrespective of whether the entity is a party to the particular transaction or not. However, for the purpose of Regulation 23 of LODR Regulations, transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval, does not require shareholder approval.

### **MODIFICATIONS AND FAILURE TO PROCURE APPROVALS**

If any modification or amendment to an approved related party transaction is proposed, such modification or amendment shall require the prior approval of the relevant authority (Audit Committee, the Board, shareholder, as the case may be), and the process set forth hereinabove shall once gain apply to such approval. The modification/amendment shall not be effected unless approved by the Audit Committee. In addition to considering the factors set forth in paragraph (5) above, the approving authority shall consider (i) the impact of the modification/variation on the arm's length pricing; and (ii) whether the modification would trigger any Board or shareholder approval (which may not have been applicable to the existing transaction prior to such modification).

Subject to and without prejudice to the obligation to procure prior approvals under this Policy, in the event that a related party transaction is not been approved under this Policy, prior to its consummation, the matter shall be forthwith reviewed by the Audit Committee, and its findings and recommendations should be placed before the Board. The Board shall consider all of the relevant facts and circumstances regarding the related party transaction, and the Board shall (or if the concerned related party transaction required the approval of the shareholders, the shareholders shall, based on the recommendation of the Board) determine the proposed way forward including any ratification, revision or termination of the said related party transaction and/or initiating any compounding proceedings with the concerned regulator, initiating disciplinary action against the concerned director/employee/key managerial personnel, provided however that all such actions shall be subject to and in due compliance with applicable law.

### **DISCLOSURE**

## **Related Party Transaction Policy**

The Company (including the management) shall ensure strict compliance with all its disclosure obligations in relation to related party transactions as required under the Act, the Listing Agreement and AS-24.

This Policy will also be uploaded on the website of Bosch and the web-link to the Policy will be inserted in the Annual Report of Bosch in every year.

### **POLICY REVIEW**

The requirements, conditionalities, thresholds and compliance obligations under the Act and LODR Regulations are independent and separate, and each of these requirements would have to be independently evaluated, determined and fulfilled, and the Audit Committee, the Board and the Company shall have due regard to the same.

This Policy is framed based on the provisions of the Act and Regulation 23 of LODR Regulations as existing on February 13, 2019.

In case of any subsequent changes in the provisions of the Act or any other regulations which makes any of the provisions in the Policy inconsistent with the Act or other regulations, such provisions of the Act or other regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

This Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the Policy due to change in regulations or as may be felt appropriate by the Audit Committee.

## ANNEXURE A

### 1. Section 2(76) of the Act

#### 1.1 A related party means:

- (i) A director or his relative;
- (ii) A key managerial personnel or his relative;
- (iii) A firm, in which a director, manager or his relative is a partner;
- (iv) A private company in which a director or manager or his relative is a member or director;
- (v) A public company in which a director or manager is a director and holds along with his relatives, more than two per cent. of its paid-up share capital;
- (vi) Any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) Any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- (viii) Any body corporate which is:
  - (A) a holding, subsidiary or an associate company of such company;
  - (B) a subsidiary of a holding company to which it is also a subsidiary; or
  - (C) an investing company or the venturer of the company.

#### 1.2 A director, other than an independent director, or key managerial personnel of the holding company or his relative, shall be deemed to be a related party.

#### 1.3 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 —*

- “significant influence” means control of at least twenty per cent of total share capital, or of business decisions under an agreement.
- ”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.

#### 1.4 Holding Company, in relation to one or more other companies, means a company of which such companies are subsidiary companies.

**Related Party Transaction Policy**

1.5 (KMP) in relation to a company, means

- (i) The Chief Executive Officer, the managing director or the manager;
- (ii) The company secretary;
- (iii) The whole-time director
- (iv) The Chief Financial Officer; and
- (v) 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
- (vi) Such other person as may be prescribed.

1.6 Subsidiary, in relation to any other company (that is to say the holding company), means a company in which the holding company— (i) controls the composition of the Board of Directors; or (ii) exercises or controls more than one-half of the total voting power, either at its own or together with one or more of its subsidiary companies.

*Explanation—*

- (a) A company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- (b) The composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- (c) The expression "company" includes any body corporate.
- (d) The "layer" in relation to a holding company means its subsidiary or subsidiaries;

2. **Ind AS 24**

**Ind AS 24** deals only with related party relationships described below:

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).

(a) **A person or a close member of that person’s family is related to a reporting entity if that person:**

- i. has control or joint control of the reporting entity;
- ii. has significant influence over the reporting entity; or
- iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) **An entity is related to a reporting entity if any of the following conditions applies:**

- i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii. Both entities are joint ventures of the same third party.
- iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- vi. The entity is controlled or jointly controlled by a person identified in (a).
- vii. A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

*A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.*

(c) **Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their**

**Related Party Transaction Policy  
dealings with the entity including:**

- i. that person's children, spouse or domestic partner, brother, sister, father and mother;
  - ii. children of that person's spouse or domestic partner; and
  - iii. dependants of that person or that person's spouse or domestic partner.
- (d) **Compensation includes all employee benefits (as defined in Ind AS 19, Employee Benefits) including employee benefits to which Ind AS 102, Share-based Payments, applies. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes:**
- i) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;
  - ii) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;
  - iii) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;
  - iv) termination benefits; and
  - v) share-based payment.
- (e) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.
- (f) Government refers to government, government agencies and similar bodies whether local, national or international.
- (g) A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government.
- (h) The terms 'control' and 'investment entity', 'joint control' and 'significant influence' are defined in Ind AS 110, Ind AS 111, Joint Arrangements, and Ind AS 28, Investments in Associates and Joint Ventures, respectively and are used in this Standard with the meanings specified in those Ind ASs.
- (i) In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

**ANNEXURE B**

<b>Category of Transactions</b>	<b>Threshold under the Act</b>
Sale, purchase or supply of any goods or services	10% of turnover or Rs. 100 crore, whichever is lower
Selling or otherwise disposing of, or buying, property of any kind, directly or through appointment of an agent	Exceeding 10% of net worth or Rs. 100 crore, whichever is lower
Leasing of property of any kind	Exceeding 10% of net worth or 10% of turnover or Rs. 100 crore, whichever is lower
Availing or rendering of any services, directly or through appointment of an agent	Exceeding 10% of turnover or Rs 50 crore, whichever is lower
Appointment to any office or place of profit in the company, its subsidiary company or associate company	At a monthly remuneration exceeding Rs 2.5 lakh
Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company	Exceeding 1% of net worth

**\*Limits would apply to transactions entered into individually or taken together with previous transactions during a financial year**

**\*\* Turnover and Net worth shall be computed on the basis of the audited balance sheet of the preceding financial year**