

Related Party Transaction Policy

Version

**BOSCH LIMITED**

**RELATED PARTY TRANSACTION POLICY**

Revision History

Version	By	Date of Approval / Revision
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## **1. PREAMBLE**

Bosch Limited (the “Company” or “Bosch”) has formulated this Related Party Transaction Policy (the “Policy”) as per the requirement of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the objective of ensuring compliance with the provisions pertaining to Related Party Transactions stipulated in the Companies Act, 2013 (the “Act”) and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “SEBI LODR Regulations”), which become applicable to the Company with effect from April 1, 2022.

The Policy includes materiality thresholds for Related Party Transactions.

This Policy shall be guided by the Group Transfer Pricing Policy in the form of a central directive (CD 03177) on “Transfer prices” and RPT Framework in the Company as approved by the Audit Committee/Board of Directors (together referred to as “Company Policy”). The Policy lays down the mechanism to deal with Related Party Transactions of the Company.

Wherever, CD 03177 is in variance with this Policy, the latter shall prevail.

## **2. DEFINITIONS**

**“Accounting Standards”** shall mean those accounting standards that are prescribed by the Government of India under Section 133 of the Act.

**“Act”** shall mean the Companies Act, and the Rules made thereunder, as in force, from time to time and includes all amendments thereto and all notifications, circulars, clarifications issued thereunder.

**“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. A change in price of goods consumed or sold brought about by play of market forces affecting across the industry globally shall not be construed as affecting the arm’s length nature of a transaction.

**“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 SEBI LODR Regulations.

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

**“Management”** shall mean the team of Key Managerial Personnel comprising the Chief Executive Officer, Chief Financial Officer and Company Secretary and Compliance Officer.

**“Material Related Party Transaction”**, shall mean any transaction(s) with a Related Party to be entered into individually or taken together with previous transactions during a financial year, exceeding Rs.1000 Crore (Rupees one thousand crores) or 10% (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 into individually or taken together with previous transactions during a financial year, exceeds 5% (five per cent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

**“Material modification of Related Party Transaction”** shall mean and include any modification to any subsisting contract or arrangement with a Related Party where parties to the followings contracts or arrangements agree to vary its terms in any respect whatsoever as a result of which there is

- (a) either upward or downward, to the price already agreed or agreed quantity of purchase or sale contemplated if such modification is in excess of 20% of the agreed value between the Company and its related parties as stated in the Business Plan that may be arrived at and recognised in terms of the adjustment(s) permitted as per the formula specified in the Group Transfer Pricing Policy [in the form of a central directive (CD 03177) on “Transfer prices”] in case of contracts/ arrangements pertaining to purchase and supply of goods and services”
- (b) in case all other contracts/ arrangements with related parties any modification in the agreed terms resulting in an increase of 20% over the existing limit as sanctioned by the Audit Committee or Shareholders, as the case may be;

**“Ordinary Course of Business”** with reference to transactions with a Related Party shall mean transactions/activities that are connected to or necessary for the business of the Company. Every transaction capable of being entered into by the Company for the purpose of carrying its business or those transactions that companies engaged in similar business activities usually entered into shall be deemed to be a transaction in the Ordinary Course of Business. However, any transaction involving any merger or amalgamation or demerger or disposal of any undertaking of the Company shall not be considered as transactions in the Ordinary Course of Business.

**“Person”** shall mean any natural person or any legal entity or body corporate or company or limited liability partnership having the status of a body corporate, by virtue of its incorporation under any law for the time being in force in any country.

**“Related Party”** is a person if such person is related to a company in any one or more of the following ways:

- (a) Such Person is a Related Party under Section 2(76) of the Act; or
- (b) Such Person is a Related Party under the applicable Accounting Standards; and includes
- (c) any Person forming a part of the promoter or promoter group of the listed entity; or

any Person, holding equity shares of 20% (twenty per cent) or more in the Company or 10% (ten per cent) or more, with effect from April 1, 2023] directly or on a beneficial interest basis as provided under Section 89 of the Act, at any time, during the immediately preceding financial year.

**“Related Party Transaction”** shall include 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:

1. the issue of specified securities on a preferential basis, subject to compliance with the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
2. The following corporate actions <sup>1</sup>[\*\*\*] 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.

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

**“Regulatory Framework”** shall mean the Act, and Rules made thereunder, the SEBI LODR Regulations, the Accounting Standards and all other enactments, rules, regulations and provisions of Articles of Association of the Company.

**“SEBI LODR Regulations”** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and includes all amendments thereto and all circulars, guidelines, clarifications issued thereunder.

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 Ind AS-24 (as applicable), the definition under such relevant Regulatory Framework shall prevail.

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<sup>1</sup> Omitted: “by the listed entity”

All words, terms and expressions herein not defined, but defined under the Act or the SEBI LODR Regulations or the Accounting Standards shall have the respective meanings assigned to them thereunder, unless the context otherwise requires.

### **3. GOVERNANCE STRUCTURE**

The Board of Directors shall be the apex body responsible for designing the governance framework relating to Related Party Transactions and reviewing the same periodically at least once in 3 (three) years or as and when any material modifications take place to the Regulatory Framework. Such responsibility includes periodical review of systems and processes for real time flow of requisite inputs from various sources for the purpose of ensuring compliance of statutory obligations introduced by the Regulatory Framework, for the time being in force. The objective of creating the governance structure is to ensure proper, timely and adequate compliances of statutory obligations required to be complied with by the Company under the Regulatory Framework.

The governance structure shall be robust to identify Related Parties and Transactions entered into or proposed to be entered into by the Company with its Related Parties. Such identification of Related Parties and Related Party Transactions shall not be subject to any limitations or thresholds which are introduced by Regulatory Framework for the purpose of introducing compliance and disclosure obligations. The Company should be able to identify all Related Parties whether or not it enters into any transactions, contracts and arrangements with any of those parties.

Apart from the Board of Directors, the Governance structure consists of the Audit Committee of the Board and the Management. The entire responsibility for ensuring proper flow of information and inputs, discharging compliances and disclosure obligations and identification of transactions that are at Arm's Length and / or in the Ordinary Course of Business rests with the Management subject to the powers of the Audit Committee of the Board. Management shall be responsible for placing before the Audit Committee of the Board a half yearly report on status of complying with the compliance and disclosure statutory obligations relating to Related Party Transactions. The Audit Committee of the Board has powers to impose monetary penalties upon all or some of the executives forming part of the Management for any delay, deficiency, deviation and default in ensuring compliance and disclosure obligations in relation to Related Party Transactions and such penalties shall not exceed the quantum of penalties imposed on the Company.

The duties, responsibilities and powers of the individual Directors, the Audit Committee of the Board, the Board of Directors, and Management specified in this Policy shall be in addition to and not in subrogation of the duties, responsibilities and powers of them as per applicable Regulatory Framework.

### **4. IDENTIFICATION OF RELATED PARTIES**

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

Each director 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 falling within the meaning of the term as a Related Party to the Company. The disclosure shall be submitted to the Company (i) at the time of appointment of such person to office; (ii) at the first meeting of the Board held in every financial year, and iii) whenever there is any change in the disclosures already made, then at the first Board meeting held after such change.

The obligations of the directors and Key Managerial Personnel of the Company to disclose their interest as required under the Act are in addition to and not in substitution of the aforementioned obligations. In addition, the directors and Key Managerial Personnel must give an undertaking that all business transactions entered into between the Company 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 rights and obligations of the Audit Committee to evaluate and determine whether a party is Related Party, whose decision shall be final.

Further, if any question arises whether a person is a Related Party or not, such question shall be determined by the Audit Committee of the Board of Directors of the Company and such determination shall be final and binding.

## **5. IDENTIFICATION OF RELATED PARTY TRANSACTIONS**

In addition to transactions involving transfer of resources, services or obligations between the Company and the Related Party of the Company, transactions involving a transfer of resources, services or obligations between the following parties shall also be Related Party Transactions (RPT):

(a)	a subsidiary of the Company and a Related Party of the Company
(b)	the Company and a Related Party of a subsidiary
(c)	a subsidiary and a Related Party of the subsidiary
Additionally, transactions with or between the following parties shall be considered as Related Party Transactions with effect from 01 <sup>st</sup> April 2023.	
(1 )	between the Company and any other Person, purpose and effect of which is to benefit a Related Party of the Company
(2 )	between the Company and any other Person, purpose and effect of which is to benefit a Related Party of the subsidiary
(3)	between a subsidiary and any other Person, purpose and effect of which is to benefit a Related Party of the Company
(4)	between a subsidiary and any other Person purpose and effect of which is to benefit a Related Party of the subsidiary

## **6. CALENDAR FLOW OF INFORMATION BETWEEN COMPANY AND ITS SUBSIDIARIES**

Within 30 (thirty) days of close of every financial year, every subsidiary of the Company shall send to the company secretary of the Company the following:

- (a) List of all its Related Parties,
- (b) List of transaction(s) proposed to be entered in to by the subsidiary with Related Parties of the Company during the financial year.
- (c) List of all the Related Party Transactions entered in the immediately preceding financial year by the subsidiary with Related Parties of the Company and the categorisation of such transactions i.e., whether they are at Arm's Length and /or in the Ordinary Course of Business or not.

Within 30 (thirty) days of close of every financial year, the Company shall send to the company secretary or any other officer of each of its Subsidiaries the list of all its Related Parties.

Both the Company and the subsidiary(ies) shall be required to provide updated lists to each other, as and when there is a change in aforementioned lists.

Both, the Company and the subsidiary of the Company shall ensure that due approvals of the Audit Committee/shareholders of the Company (refer Section on "Approval of RPTs" given ahead) are in place before undertaking transactions with related parties of either of the companies.

Additionally, with effect from April 01, 2023, both the Company and the subsidiary shall also ensure that due approvals of the Audit Committee / shareholders of the Company are in place before undertaking transactions with any Person, the purpose and effect of which is to benefit a Related Party of either of the companies.

## 7. PRIOR APPROVALS FOR RELATED PARTY TRANSACTIONS (RPTs)

<p><b>Prior Approval of Audit Committee</b></p> <p>- only those members of the audit committee, who are independent directors, shall approve Related Party Transactions</p>	<p>Prior Approval of the Audit Committee:</p> <ol style="list-style-type: none"> <li>1. All RPTs and subsequent modification.</li> <li>2. RPTs to which the subsidiary* is a party (but the Company is not a party) <ol style="list-style-type: none"> <li>a. If the value of such transaction whether entered into individually or taken together with previous transactions during a financial year (FY) exceeds 10% of the annual consolidated turnover, as per the last audited financial statements of the Company;</li> <li>b. if the value of such transaction whether entered into individually or taken with previous transactions during a FY, exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary; (with effect from April 1, 2023)</li> </ol> </li> </ol> <p>*Prior approval is not required for listed subsidiary(ies), if regulation 23 and sub-regulation (2) of regulation 15 of SEBI(LODR) Regulations, are applicable to such listed subsidiary.</p> <ol style="list-style-type: none"> <li>3. Omnibus approval subject to compliance with the conditions specified in regulation 23 of SEBI (LODR) Regulation. Read with Rule 6A of the Companies (Meeting of Board and its Powers) Rules, 2014.</li> </ol>	<p>Regulation 23 (2) of the SEBI(LODR),2015</p>
<p><b>Board of Directors</b></p>	<p>Prior Approval of the Board shall be necessary:</p> <ol style="list-style-type: none"> <li>1. All RPTs proposed to be entered into, not in the ordinary course of business or not at an arm's length basis, regardless of the materiality threshold specified under the Companies Act, 2013 or SEBI (LODR) Regulations.</li> <li>2. RPTs meeting the materiality thresholds which are intended to be placed before the shareholders for approval.</li> <li>3. All Material Modifications to the Material Related Party Transactions which are intended to be placed before the shareholders for approval</li> <li>4. All Related Party Transactions that are beyond the thresholds prescribed under Section 188 of the Act read with Rule 15 of the Companies (Meeting of Board and its Powers) Rules,2014.</li> </ol>	<p>Section 188(1) of the Companies Act, 2013</p> <p>Regulation 23 (4) of the SEBI LODR, 2015</p> <p>Section 188(1) of the Companies Act, 2013</p>

<b>Shareholders</b>	<p>Prior Approval of the shareholder:</p> <ol style="list-style-type: none"> <li>1. All Material Related Party Transactions.</li> <li>2. Subsequent Material Modifications of the Material Related Party Transactions</li> <li>3. Subsequent Modification which will make a non-material related party transaction into material related party transaction.</li> <li>4. All Related Party Transactions that are beyond the thresholds prescribed under Section 188 of the Act read with Rule 15 of the Companies (Meeting of Board and its Powers) Rules, 2014.</li> </ol> <p><b><u>Exemptions</u></b></p> <p>The approval of shareholders will not be required for RPTs entered into between</p> <ol style="list-style-type: none"> <li>(a) the Company and its wholly owned Subsidiaries or</li> <li>(b) two wholly-owned subsidiaries of the Company,</li> </ol> <p>whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.</p>	<p>Regulation 23 (4) of the SEBI LODR, 2015</p> <p>Section 188(1) of the Companies Act, 2013</p>
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#### **8. OMNIBUS APPROVAL BY AUDIT COMMITTEE OF THE BOARD**

1. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company <sup>2</sup>[or its subsidiary] subject to such conditions as may be prescribed.
  - i. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following namely:-
    - (a) maximum value of the RPTs , in aggregate, which can be allowed under the omnibus route in a financial year;
    - (b) the maximum value per RPT which can be allowed;
    - (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
    - (d) review, at such intervals as the Audit Committee may deem fit, Related Party Transaction entered into by the company pursuant to each of the omnibus approval made;
    - (e) RPTs which cannot be subject to the omnibus approval by the Audit Committee.
  - (ii) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, for the RPTs which are in the Ordinary Course of Business of the Company, namely:-
    - (a) repetitiveness of the transactions (in past or in future);
    - (b) justification for the need of omnibus approval.
  - (iii) The Audit Committee shall satisfy itself on the need for omnibus approval for RPTs of repetitive nature and that such approval is in the interest of the Company.
  - (iv) The omnibus approval shall contain or indicate the following:-

<sup>2</sup> Inserted



- (a) name of the Related Parties;
  - (b) nature and duration of the RPT
  - (c) maximum amount of RPT that can be entered into;
  - (d) the indicative base price or current contracted price and the formula for variation in the price, and the other terms of the transaction if any; and
  - (e) any other information relevant or important for the Audit Committee to take a decision on the proposal transaction:
- (v) Where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.
  - (vi) The Company shall not be entitled to enter into any Related Party Transactions without securing such approvals as may be necessary for the purpose. The Company is entitled to enter into contracts and arrangements that are already approved by the Audit Committee of the Board under the category of Omnibus Approval.
2. The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company <sup>3</sup>[or its subsidiary], pursuant to each of the omnibus approvals given. Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
  3. Save and except Related Party Transaction which are at Arm's length or in Ordinary Course of Business or for which omnibus approval is sought, no Related Party Transactions shall be approved by the Audit Committee of the Board by means of circular resolution

#### **9. INFORMATION TO BE PROVIDED TO AUDIT COMMITTEE, BOARD OF DIRECTORS AND SHAREHOLDERS**

The Management shall ensure that information required to be placed before the Audit Committee, Board of Directors and shareholders, as required from time to time under provisions of the Act, the SEBI LODR, <sup>4</sup>[SEBI Circulars and Industry Standards on "Minimum information to be provided for review of the Audit Committee and shareholders for approval of Related Party Transactions"] for obtaining approvals for Related Party Transactions, is placed before the respective approving authority. Where the Audit Committee of the Board does not accord its approval for any Related Party Transaction or any Modification thereto, it shall communicate the reasons therefor to the Board of Directors and record the same in the minutes of its meeting.

#### **10. MODIFICATIONS, <sup>5</sup>[RATIFICATION] 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 again apply to such approval. The modification/amendment shall not be affected unless first approved by the Audit Committee.

In addition to considering the factors set forth in above paragraphs, 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 but for such modification).

<sup>6</sup>[The members of the Audit Committee, who are Independent Directors, may ratify RPTs within three (3) months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, subject to 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 a Material Related Party Transaction;
- iii. rationale for inability to seek prior approval for the transaction shall be placed before the audit

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<sup>3</sup> Inserted

<sup>4</sup> Inserted

<sup>5</sup> Inserted

<sup>6</sup> Inserted

committee at the time of seeking ratification;

- iv. the details of ratification shall be disclosed along with disclosures of RPTs as required under the provisions of SEBI LODR.

The 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.]

Subject to and without prejudice to the obligation to procure prior approvals under this Policy, <sup>7</sup>[save and except Related Party Transactions which are ratified by the Audit Committee as mentioned above,] in the event that a Related Party Transaction has taken place without obtaining the prior approval under this Policy, the matter shall be forthwith reviewed by the Audit Committee, and its findings and recommendations shall 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 / adjudication 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, and subject to the provisions of Section 177(4) of the Act, and without prejudice to the powers of the Board in terms of the provisions of Section 188(3) and 188(4) of the Act.

## **11. DISCLOSURES**

The Company shall ensure strict compliance with all its disclosure obligations in relation to Related Party Transactions as required under the Regulatory Framework.

When any question arises, by virtue of any provision of the Regulatory Framework whether a disclosure of particulars of any Related Party Transaction is required to be disclosed, such questions shall be determined by the Audit Committee of the Board and such determination shall be final and binding.

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

## **12. POLICY REVIEW**

The requirements, conditionalities, thresholds and compliance obligations under the Act and SEBI LODR Regulations or as the case may be the Accounting Standards shall be treated as independent, separate and distinct statutory obligations, 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.

In case of any subsequent changes in the Regulatory Framework which makes any of the provisions in the Policy inconsistent with the Regulatory Framework, such the Regulatory Framework 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 mandatorily reviewed by the Board every 3 (three) years and as and when any changes are to be incorporated in the Policy due to change in Regulatory Framework or as may be deemed appropriate by the Board.

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<sup>7</sup> Inserted