

***TVS Holdings Limited***  
***[Formerly known as Sundaram-Clayton Limited]***

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**RELATED PARTY TRANSACTION POLICY**

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***[As approved by the Board of Directors on 24<sup>th</sup> September 2014  
(Effective date – 1<sup>st</sup> October 2014) and revised on 5<sup>th</sup> February 2020]***

# **TVS Holdings Limited**

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### **RELATED PARTY TRANSACTION POLICY**

#### **Preamble**

Considering the requirements for approval of related party transaction as prescribed under the Companies Act, 2013 read with applicable rules framed thereunder and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("**Listing Regulations**"), TVS Holdings Limited (the "**Company**"), has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions ("**Policy**")

This Policy is also in conformance with the Company's Code of Conduct for Business and Ethics which provides that all directors and senior management personnel are required to disclose all potential or actual conflict of interest, which may be against the interest of the Company and take actions to eliminate such conflict, if so required.

#### **1. Objective**

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 provisions under the Companies Act, 2013, Listing Regulations and any other laws and regulations as may be applicable to the Company.

#### **2. Definitions**

**"Audit Committee or Committee"** means a committee of the Board constituted under application provisions of the Companies Act, 2013 and Listing Regulations.

**"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.

**"Board"** means the board of directors of the Company.

**"Key Managerial Personnel or KMP"** means key managerial personal as defined under the Companies Act, 2013.

**"Material Related Party Transaction"** shall mean the following transactions with a Related Party:

<b>Nature of transaction</b>	<b>Threshold</b>
1. Sale, purchase or supply of any goods or materials, directly or through appointment of agent.	Amounting to 10% (ten percent) or more of the turnover of the Company
2. Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent.	Amounting to 10% (ten percent) or more of the networth of the Company
3. Leasing of property of any kind.	Amounting to 10% (ten percent) or more of the turnover of the

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Nature of transaction	Threshold
	Company
4. Availing or rendering of any services, directly or through appointment of agent.	Amounting to 10% (ten percent) or more of the turnover of the Company
5. Appointment of any Related Party to any office or place of profit in the Company, its subsidiary company or associate company.	Monthly remuneration exceeding INR 2.5 lakh (Indian Rupees two lakhs fifty thousand)
6. Underwriting the subscription of any securities or derivatives thereof, of the Company.	Exceeding 1% (one percent) of the networth of the Company
7. Payments made with respect to brand usage or royalty.	Exceeding 5% (five percent) of the annual consolidated turnover of the Company
8. Any other transaction with related parties resulting in transfer of resources, obligations or services.	Exceeding 10% (ten percent) of the annual consolidated turnover of the Company

The limits specified in points 1 to 4, 7 and 8 shall apply for transaction entered or transactions to be entered into either individually, or taken together with previous transactions during a financial year. The turnover or networth referred to in the points above shall be computed on the basis of the last audited financial statements of the Company.

**“Ordinary Course of Business”** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations activities and includes all such activities which the Company can undertake as per its memorandum of association and the articles of association. The Board and the Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other practices and guidelines.

**“Related Party”** shall have the meaning as defined in Section 2(76) of Companies Act, 2013 and Regulation 2(1)(zb) of the Listing Regulations.

**“Related Party Transaction”** or **“RPT”** shall have the meaning ascribed to the term in Regulation 2(1)(zc) of the Listing Regulations and includes the transactions contemplated under Section 188(1) of the Companies Act, 2013.

**“Relative”** means relative as defined under the provision of Section 2(77) Companies Act, 2013 and the applicable rules made therein.

Words and expressions used in this Policy but not defined therein shall have the same meanings respectively assigned to them in the Companies Act 2013 and the rules framed therein, Listing Regulations and/ or any other applicable law or regulations as amended from time to time.

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### **3. General Guidelines**

- 3.1 All Related Party Transactions shall require prior approval of the Audit Committee of the Company.
- 3.2 All Material Related Party Transactions shall require approval of the shareholders through an ordinary resolution and no Related Party shall vote to approve such resolutions irrespective of whether it is a Related Party to the particular transaction or not.

However, the requirement of seeking Audit Committee and shareholders' approval will not be applicable to transactions entered into between the Company and a wholly owned subsidiary of the Company whose accounts are consolidated with the Company and placed before the shareholder at a general meeting for approval.

### **4. Identification of RPT**

- 4.1 Each director and KMP is required to give notice of disclosure of interest in compliance with applicable provisions under the Companies Act, 2013 and Listing Regulations, along with the list of relatives to the Company. The Company shall collate the data and shall at all times maintain a database of the Related Parties and shall ensure that no transaction is entered into with any Related Party without requisite approvals.
- 4.2 The Company shall identify the list of related parties by virtue of upstream and downstream shareholding in/ by the Company or exercise of control either jointly or severally, irrespective of shareholding.
- 4.3 Each director and **KMP** and other Related Parties shall promptly notify the Audit Committee of any material interest that such person or Relative of such person had, has or may have in a RPT, by providing notice to the Board or Audit Committee of any potential RPT involving him or her or his or her Relative together with any additional information about the RPT that the Board or Audit Committee may reasonably request.
- 4.4 Any employee of the Company who is aware of any transaction that is or may be perceived to be a RPT is required to bring the same to the attention of the Audit Committee of the Company through the Company Secretary.
- 4.5 The Company prefers that notice of any RPT is given well in advance and shall also contain adequate information about the RPT. This will provide the Audit Committee / Board adequate time and information to consider and review the proposed RPT.
- 4.6 The Board / Audit Committee shall determine whether a transaction does, in fact, constitute a RPT requiring compliance with this Policy or not.

### **5. Criteria for approving RPTs**

The Audit Committee shall consider the following factors, among others, to the extent relevant to the RPT while granting the approval:

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- 5.1 Whether the terms of the RPT are fair to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- 5.2 Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any;
- 5.3 Whether the RPT would affect the independence of an independent director;
- 5.4 Whether the proposed RPT includes any potential reputational risk issues that may arise as a result of or in connection with the proposed RPT;
- 5.5 Whether subsequent ratification of the proposed RPT is allowed and would be detrimental to the Company;
- 5.6 Whether the transaction is in the interest of the Company; and
- 5.7 Whether the RPT would present an improper conflict of interest for any director or KMP of the Company, taking into account the size of the transaction, the overall financial position of the director, KMP or other Related Party, the direct or indirect nature of the director's, KMP's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee deems relevant.
- 5.8 If the Audit Committee determines that a RPT should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any applicable law for Board to approve the RPT, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modifications as may be necessary or appropriate under the circumstances.

### **6. Review and approval of RPTs**

- 6.1 Audit Committee approval:
  - a. All transactions which are identified as RPTs should be pre-approved by the Audit Committee before entering into such transaction;
  - b. The Audit Committee may grant an omnibus approval for RPT which are repetitive in nature as provided in paragraph 7 of this Policy.
  - c. The Audit Committee, in order to review a RPT, shall be provided with all relevant material information of the RPT, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters;
  - d. Any member of the Audit Committee who has an interest in any RPT shall recuse himself or herself and abstain from discussion and voting on the approval of such RPTs; and

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- e. A RPT which is neither in the Ordinary Course of Business nor an Arm's Length Transaction, would require approval of the Board or of shareholders as discussed subsequently.

### 6.2 Board approval:

- c. All RPTs which are neither in the Ordinary Course of Business nor an Arm's Length Transaction, shall be recommended by the Audit Committee for the approval of the Board. The Board shall further recommend the same for the approval of the shareholders by way of resolution of the Company, in case the said transaction is a Material Related Party Transaction.
- d. Any member of the Board who has any potential interest in any RPT will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

### 6.3 Shareholders' approval:

- a. All Material Related Party Transactions shall be approved by the shareholders through a resolution.
- b. No Related Party shall vote to approve such resolutions irrespective of whether it is a Related Party to the particular transaction or not.
- c. In case the shareholders decide not to approve the Material Related Party Transaction, the Board/ Audit Committee, as the case may be, may direct additional actions including, but not limited to, immediate discontinuation or recession of the transaction, or modification of the transaction to make it acceptable to the shareholders for approval.

## **7. Granting of omnibus approval to RPTs**

The Audit Committee shall also be entitled to grant omnibus approval ("**Omnibus Approval**") for a class of transactions which are repetitive in nature as per the procedure specified for approving RPTs in this Policy.

- 7.1 In addition to the criteria specified above, the Audit Committee shall be required to specify in the Omnibus Approval;
- 7.2 Name(s) of the Related Party, nature, period of transaction and maximum amount of the proposed RPT;
- 7.3 The indicative base price/current contracted price and the formula for variation in the price, if any;
- 7.4 Such other conditions as the Audit Committee may deem fit.
- 7.5 In the event the need for a class of RPTs cannot be foreseen or the details specified above are not available, the Audit Committee may grant Omnibus

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approval for such RPTs provided each transaction does not exceed INR 1,00,00,000/- (Indian Rupees one crore only).

- 7.6 The Audit Committee shall review, the details of actual RPTs entered into by the Company pursuant to each of the Omnibus Approvals on a quarterly basis.
- 7.7 The Omnibus Approvals shall be valid for a period not exceeding 1 (one) year and shall require fresh approvals from the Audit Committee after the expiry of 1 (one) year from the grant of each approval.

### **8. RPTs that do not require prior Audit Committee approval / review**

The transactions or arrangements which are specifically dealt under the separate provisions of the law and are executed under separate approvals/ procedures from relevant committee shall be deemed to be approved for the purpose of this Policy. Such transactions are enumerated below:

- 8.1 Any transaction pertaining to appointment and remuneration of directors and KMPs that has already been approved by the nomination and remuneration committee of the Company or the Board;
- 8.2 Transactions that have been approved by the Board under the specific provisions of the Companies Act 2013. For instance, inter-corporate deposits, borrowings, investments with or in wholly owned subsidiaries or other Related Parties;
- 8.3 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 Companies Act, 2013 or the Listing Regulations;
- 8.4 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;
- 8.5 Contribution to corporate social responsibility ("CSR") obligations, subject to approval of CSR committee and within the overall limits approved by the Board; and
- 8.6 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.

### **9. RPTs not approved under this Policy**

- 9.1 In the event that the Company becomes aware of a RPT with a Related Party that has not been approved under this Policy, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and

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circumstances regarding the RPT, and shall evaluate all options available to the Company, including ratification by it or recommending to the Board for their ratification or seeking approval of shareholders, revision or termination of the RPT. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPT to the Committee under this Policy and shall take any such action it deems appropriate.

- 9.2 In any case, save as otherwise provided in the Policy, where the Audit Committee determines not to ratify a RPT that has been commenced without its prior approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission or revision of the transaction.
- 9.3 The Audit Committee has authority to modify or waive any procedural requirements of this Policy.

### **10. Disclosure**

- 10.1 Appropriate disclosures relating to the details of RPTs, as required under the provisions of Companies Act, 2013, Listing Regulations and any other applicable laws, shall be made in the prescribed format within specified time period.
- 10.2 The Company shall disclose the Policy on its website and provide the weblink in the annual report.

### **11. Limitation and Amendments**

- 11.1 This Policy shall be reviewed and updated at periodic intervals as required under the Companies Act, 2013 and the rules made thereunder, Listing Regulations and any other applicable law or regulation.
- 11.2 In the event of any conflict between the provisions of this Policy and of the Companies Act, 2013 and/ or Listing Agreement and/ or any other statutory enactments, rules etc., the provisions of the Companies Act, 2013 and/ or Listing Agreement and/ or any other statutory enactments, rules etc. shall prevail over this Policy.

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