

ABB India Limited

Policy on materiality of and dealing with Related Party Transactions

Purpose

ABB India Limited (the 'Company') recognizes that transactions with related parties may present potential or actual conflicts of interest as to whether such transactions are consistent with the Company's and its stakeholders' interest. To address the same, this policy has been developed for review, approval and disclosure of the transactions with related parties in compliance with the provisions of the Companies Act, 2013, (the 'Act') and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), read with related Rules, Circulars, Notifications, Guidance, FAQs and Industry Standards, as introduced or amended from time to time.

This policy has been adopted by the Company's Board of Directors based on the recommendation of the Audit Committee and the said policy includes the materiality threshold(s) and the manner of dealing with Related Party Transactions. .

The Board of Directors will periodically review this policy on materiality of and dealing with related party transactions ("Policy"), at least once every three years and update the same, as may be necessary, unless there is a change in applicable regulations and/or in business conditions affecting the Company/its subsidiaries, which requires an earlier change to the Policy.

If the terms of this Policy differ from any existing or newly enacted regulation or standard governing the Company, such regulation or standard will take precedence over this Policy until this Policy is changed to conform to said regulation or standard.

Key Definitions

A. Related Party

"Related Party" means a related party as defined under sub-section (76) of section 2 of the Act and Regulation 2(1)(zb) of the Listing Regulations, as amended from time to time.

B. Related Party Transaction, Material Related Party Transactions and Transactions Excluded as Related Party Transactions

"**Related Party Transaction**" shall mean such transactions as specified under the Act and Regulation 2(1)(zc) of the Listing Regulations including any amendment or modification thereof, as may be applicable.

Material Related Party Transaction means a transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand 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.

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.

Transactions Excluded as Related Party Transactions: Regulation 2(zc) of the Listing Regulations specifically describes a transaction which shall not be a related party transaction and shall include the following

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.
- (c) Further, remuneration and sitting fees paid by the Company to its directors, key managerial personnel or senior management shall not require approval of the Audit Committee except in the following circumstances:
 - i. remuneration and sitting fees paid to an individual who is a Promoter or part of the Promoter Group; or
 - ii. when such payment is material in terms of the provisions of Regulation 23(1) of the Listing Regulations.

C. Material Modification

"Material modification" will mean and include any modification to an existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be (or) having variance of INR 10 (Ten) Crore, whichever is higher.

Terms used but not defined herein in this Policy, shall have the same meaning as assigned thereto in the Act, the Listing Regulations or any other applicable laws or regulations, as the case may be.

D. Promoter and Promoter Group

Promoter and Promoter Group shall have the same meaning as assigned to them in Regulation 2(1)(oo) and 2(1)(pp), respectively, of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

Promoter and Promoter Group shall be deemed to be interested in any person, if they in any way, whether directly or indirectly:

- a) where the person is a body corporate, hold more than 2% shareholding or voting rights of that body corporate, or are a promoter, managing director, manager, Chief Executive Officer of that body corporate; or
- b) where the person is a firm or other entity, the Promoter(s) or the Promoter Group is a partner, owner or member, as the case may be.

Ensuring Arm's Length basis

An "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.

All transactions with related party(ies) shall be entered on arms' length basis. In exceptional circumstances, where permitted by law, related party transactions may deviate from the principle of arm's length, after approval from Audit Committee, the Board of Directors or shareholders as the case may be.

As per ABB Group policy, which is also followed by the Company and all other Group companies, transactions with related party(ies) are required to be carried out based on the arm's length principle i.e., comparable to prices and conditions between unrelated companies in similar transactions.

Board and Audit Committee review all related party transactions following arm's length principle.

Manner of Approval of RPTs

All directors, key managerial personnel, including their relatives are required to declare their interests for any potentially conflicting transactions with the Company. The Company has system in place for identifying and regularly updating the list of related parties as per the definitions under the Act and Listing Regulations. The Company also has a mechanism to track all related party transactions.

Once the Related Party Transactions are identified, the Company shall classify the same as follows, as per the Industry Standards ("IS") on Minimum Information to be placed for Review of the Audit Committee and Shareholders for Approval of Related Party Transactions ("MI") notified by SEBI vide circular dated 14 February 2025 and as amended from time to time.

- a) Material Related Party Transactions
- b) Other Related Party Transactions, but with Promoter or Promoter Group or Person/ Entity in which Promoter or Promoter Group has concern or interest
- c) Residual Related Party Transactions

The prescribed MI applicable to the relevant RPTs in the above cases shall be disclosed to the Audit Committee / Shareholders for seeking approval.

All business and functional managers of the Company have been advised of the scope of related party transactions and approval procedure to be followed before any commitments are made with the related parties.

Audit Committee Approval Process:

All related party transactions and subsequent material modifications shall require prior approval of the Audit Committee of the Company and all the omnibus approvals provided by the Audit Committee shall be reviewed on a quarterly basis relating to details of related party transactions entered into by the Company.

All the proposed transactions for the Audit Committee's approval are included where commitments are expected to be made, or new agreements will be made whether for purchase or sale of goods or services or for royalties or any other transactions including material modifications proposed to be made thereto during the current or next financial year or part thereof. Actual delivery of goods and services and financial accounting transactions might take place during the current or next financial year or part thereof.

For obtaining pre/ omnibus approval of Audit Committee, details of individual related

party transaction like name of the party, nature of transaction, basis of price and maximum value, payment and other terms of contracts etc. as stipulated under the Act and Listing Regulations or any circulars/notifications/industry standards issued by the Securities and Exchange Board of India ('SEBI') shall be provided.

Audit Committee may also grant omnibus approval for related party transactions up to Rs.1 crore in each case, where need for the transaction cannot be foreseen and the requisite details are not available for taking prior approval but are considered essential and in the interest of the Company. The omnibus approvals provided by the Audit Committee shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of one financial year:

The Audit Committee shall specify the criteria for granting the omnibus approval which shall include the following, namely:

- a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year.
- b) the maximum value per transaction 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, the related party transaction entered into by the company pursuant to each of the omnibus approval made.
- e) transactions which cannot be subject to the omnibus approval by the Audit Committee.

The Audit Committee shall consider the following factors while specifying the criteria for granting omnibus approval, namely: -

- (a) repetitiveness of the transactions (in past or in future).
- (b) justification for the need of omnibus approval. Details of actual related party transactions entered during the quarter are provided to Audit Committee for their review in a meeting taking place after completion of the quarter along with comparison and analysis with pre and omnibus approval amounts.

For the transactions which are considered as not in ordinary course of business and / or not at the arm's length basis, approval of Board of Directors, is to be obtained after recommendation of the Audit Committee.

Only those Members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions.

Interested directors to a transaction shall abstain from discussion and voting on the approval of such related party transaction at the Audit Committee meetings.

The Audit Committee at the time of approval of RPTs, shall where applicable take into consideration CEO or CFO or any other KMP of the Listed Entity and from every director of the Listed Entity who is also promoter ("promoter director") confirming that RPTs to be entered into are not prejudicial to the interest of public shareholders; and the terms and conditions of the RPT are not unfavorable to the listed entity, compared to the terms and conditions, had similar transaction been entered into with an unrelated party. This certificate shall be placed before the Committee in line with the prescribed Industry Standards, as may be amended from time to time.

Criteria to be considered by Audit Committee for granting approval to a Related Party Transaction (RPT)

- The rationale and necessity for entering into such a RPT.
- Whether any compelling business or commercial reasons or justification exist for the Company to enter into the RPT and the availability, if any, of similar transactions between the Company and unrelated counterparties or between two unrelated parties about the same time.
- Whether the terms and provisions of the RPT, viewed in their totality, are fair and the transaction is at arm's length, that is to say, whether it is similar to a transaction conducted as if between two unrelated parties, so that there is no conflict of interest.
- Whether any special or unusual benefits, rights or privileges are extended or given to the related party by the Company which would normally not feature in a similar transaction, were it to be entered into by the Company with an unrelated party or between two unrelated parties.
- Whether the consideration/compensation to be paid to the related party under or pursuant to the transaction is, or can be regarded as being, commensurate with the obligations undertaken by such related party, and/or the scope of services provided by it thereunder.
- Whether the transaction is unreasonably or unfairly weighted in favour of the related party vis-a-vis of price, terms of credit and payment, interest payable or in any other manner or gives rise, or is likely to give rise, to any conflict of interest.
- Whether the RPT will or is likely to, affect the independence of judgment of any of the independent Directors on the Board.
- Whether the RPT is likely to give rise in any manner to a conflict of interest and duty for any Director or Key Managerial Personnel of the Company.
- Whether the RPT would or is likely to give rise to any potential reputational risk for the Company and/or its Directors.
- Any other aspects or factors that may be relevant or material in the opinion of the Audit Committee and as may be required under the Act or Listing Regulations or any circulars/notifications issued by SEBI

Board of Directors' Approval Process

All transactions specified under Section 188 of the Act which are not in the ordinary course of business or not undertaken at arm's length, shall be placed before the Board for its approval.

In addition to the above, the following kinds of RPTs may also be placed before the Board for its approval.

a) RPTs in respect of which the Audit Committee is unable to determine whether they are in the ordinary course of business and/or at arm's length basis pursuant to which, it decides to refer the same to the Board for approval

b) RPTs which are in the ordinary course of business and/or undertaken at arm's length basis, but which as per Audit Committee requires Board approval

c) Material RPTs and subsequent Material Modifications as per Listing Regulations, which are intended to be placed before the shareholders for approval

All interested directors to a transaction shall abstain from discussion and voting on the approval of such related party transaction(s) at the Board meetings.

For obtaining approval of the Board under the Act, details as mentioned in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 shall be disclosed in the agenda of the Board meeting.

Shareholders' Pre Approval Process

Shareholders' approval shall be obtained in the following cases for the related party transactions, based on the opinion of Audit Committee and Board:

a. transactions which are not in ordinary course of business and/ or not on an arm's length basis and which crosses the threshold limits prescribed under the Act; and b. Material RPTs under Regulation 23 of the Listing Regulations and subsequent Material Modifications

For obtaining approval of the Shareholders, details as mentioned under the Act, Listing Regulations and Industry Standards, as amended from time to time, shall be provided in the Explanatory Statement to the notice of the Shareholders' meeting. All entities falling under the definition of the related parties under the Act / Listing Regulations, shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

Ratification of RPTs

The members of the Audit Committee who are independent directors, may ratify the related party transactions which are not material under Listing Regulations, within 3 months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier. Ratification is subject to certain conditions as specified in the Listing Regulations.

Wholly Owned Subsidiary

The 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 shall be exempted from the provisions of Regulation 23(2), (3) and (4) of Listing Regulations.

Disclosures

All related party transactions effecting financial statements of the Company are annually reviewed by the Audit Committee and are disclosed in Company's Annual Report as may be required under the Act / Listing Regulations.

Further as per the Listing Regulations, the Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified by SEBI from time to time, and publish the same on its website. The listed entity shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results.

Any amendment / modification in the Listing Regulations or the Act or any other

governing Act/Rules/Regulations or re-enactment, impacting the provisions of this Policy, shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be modified and/or amended to that extent, even if not incorporated in this Policy.

This policy has been reviewed and recommended by the Audit Committee at its meeting held on May 9, 2025 and approved by the Board of Directors of the Company at its meeting held on May 9, 2025.
