

ABB India Limited, Bengaluru

Policy on dealing with Related Party Transactions

Purpose

ABB India Limited recognizes that related party transactions, as defined below, can present potential conflicts of interest as to whether such transactions are consistent with the Company's and its all the stakeholders' best interest. To address the issue, this policy has been developed for review, approval and disclosure of the related party transactions and has been adopted by the Company's Board of Directors. Board will periodically review this policy and amend, as may be necessary.

Definition of Related Party

Related parties for this policy includes, Company's holding company, subsidiary company, fellow subsidiary companies, associate/joint venture companies, directors and key managerial personnel and their relatives and all other companies, firms and individuals as defined or may be defined, time to time, as related parties under the Companies Act, 2013 and clause 49 of the Listing Agreement with the stock exchanges. Company's all dealing with these related parties are governed by this policy.

Ensuring Arm's Length basis

Barring a very few exceptions, the Company has all the related party transactions with ABB Group companies. As per ABB Group policy, which is also followed by the Company and all other Group companies, these transactions are required to be carried out on 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.

Board and Audit Committee Prior Approval Process

All directors, key managerial personnel, including their relatives are required to declare their interests for any potentially conflicting transactions with the Company. Company has system in place to track all related party transactions and categorization into ordinary course of business and other transactions.

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

The Company obtains pre/ omnibus approval of Audit Committee on quarterly basis before commitment for the transaction with a related party.

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 for services/fees or modification to existing agreements/contracts is proposed to be made during the quarter. Actual delivery of goods and services and financial accounting transactions might take place during the same quarter or in the subsequent quarters. 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. are provided.

Audit Committee gives 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.

Details of actual commitments during the quarter for purchases, sales and other service agreements entered 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 not at the arm's length basis, approval of Board of Directors is taken through Audit Committee.

Interested directors to a transaction do not participate during the discussions on the matter at the Board or Audit Committee meetings.

Criteria 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.

Shareholders' Pre Approval Process

Shareholders' approval is taken for the related party transactions which in the opinion of Audit Committee and Board are not in ordinary course of business and not at arm's length basis and are in excess of values prescribed under the Companies Act, 2013.

As required by the Listing Agreement with the stock exchanges, Shareholders' approval is also taken for all material transactions with a related party, which either individually or in aggregate of transactions within a financial year in value exceeds ten percent of annual turnover, as per latest audited financial statements of the Company.

All entities falling under the definition of the related parties under the Act / Clause 49 of the Listing Agreement, abstain from voting at shareholders meeting irrespective of whether the entity is a party to particular transaction or not.

Disclosure

All related party transactions effecting financial statements of the Company are annually reviewed by the Audit Committee and are also disclosed in Company's Annual Report. As required by the Listing Agreement with the stock exchanges, details of all material transactions with related parties are disclosed quarterly along with compliance report on Corporate Governance to the stock exchanges. Future Board Report will include details of all material related party transactions apart from transactions, if any, which are not in the ordinary course of business or not at arm's length basis.

This policy has been reviewed and recommended by the Audit Committee at its meeting held at Mumbai on October 14, 2014 and the Board of Directors of the Company approved at its meeting held on October 28, 2014.