

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 conflicts of interest as to whether such transactions are consistent with the Company's and its stakeholders' interest. To address the issue, 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').

This policy has been adopted by the Company's Board of Directors based on the recommendation of the Audit Committee.

The Board of Directors will periodically review this policy, at least once every three years and update the same, as may be necessary.

Key Definitions

A. Related Party

"related party" means a related party as defined under sub-section (76) of section 2 of the Act or under the applicable accounting standards.

Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the Company; or
- (b) any person or any entity, holding equity shares:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023;

in the Company either directly or on a beneficial interest basis as provided under section 89 of the Act, at any time, during the immediate preceding financial year; shall be deemed to be a related party:"

For the sake of clarity, related party for this policy includes but is not limited to Company's holding company, subsidiary or an associate company of such company, any person or entity belonging to the holding company, joint venture companies, directors and key managerial personnel and their relatives and all other companies, firms and individuals as defined or may be defined, from time to time, as a related party under the Act or the Listing Regulations or under the applicable accounting standards.

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

"**Related Party Transaction**" means a transaction involving transfer of resources, services or obligations between -

The Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand (or)

The Company 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 Company 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.

Material Related Party Transaction: A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

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 by the listed entity 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) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board: Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);”

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 1 (One) 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.

Ensuring Arm’s Length basis

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 and the Board of Directors, 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.

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 party transactions and approval procedure to be followed before any commitments are made with the related parties.

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 for services/fees or material 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. as stipulated under the Act and Listing Regulations or any circulars/notifications issued by the Securities and Exchange Board of India ('SEBI') shall be provided.

Audit Committee may 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 year and shall require fresh approvals after the expiry of one year:

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.

As per the prevailing Listing Regulations, effective January 1, 2022 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 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 and as may be required under the Act or Listing Regulations or any circulars/notifications issued by SEBI

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 at arm's length basis and are in excess of values prescribed under the Companies Act;
- b. all transactions which are in excess of values prescribed under the Listing Regulations., 2013.

As required by the Listing Regulations and relevant circulars/notifications issued by SEBI, prior Shareholders' approval is also taken for all material transactions and subsequent material modifications with a related party after providing the necessary information to the shareholders in the Explanatory statement.

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.

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 Company shall make such disclosures every six months "within fifteen days" from the date of publication of its standalone and consolidated financial results. With effect from April 1, 2023, the Company shall make such disclosures every six months "on the date of publication" of its standalone and consolidated financial results.

Amendment

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 February 9, 2022 and approved by the Board of Directors of the Company at its meeting held on February 10, 2022. Unless otherwise specified in this Policy, the amendments shall come into effect from April 1, 2022.
