



ADC INDIA COMMUNICATIONS LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

(Policy adopted by the Board of Directors at its Meeting held on March 4, 2015)
(Policy amended by the Board of Directors at its Meeting held on February 11, 2019
and August 09, 2022)



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1. INTRODUCTION

The Board of Directors (“the Board”) of ADC India Communications Limited (“the Company”) has, at its meeting held on March 4, 2015, adopted this Policy with regard to Related Party Transactions and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions (“Policy”) in compliance with the requirements of Section 188 of the Companies Act, 2013 (“the Act”) and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”). This Policy was amended by the Board at its meeting held on February 11, 2019, and further amended at its Board Meeting held on August 9, 2022 to align with the Listing Regulations” including amendments or modifications thereof.

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

2. OBJECTIVES

This policy intends to ensure necessary and timely identification, approval, disclosure and reporting of transactions between the Company and its Related Parties in compliance with the applicable laws as may be amended from time to time.

3. DEFINITIONS

“**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 the Listing Regulations.

“**Arm’s Length Transaction**” means a transaction between two related parties that is conducted as if they were unrelated, so there is no conflict of interest.

“**Control**” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

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

“**Material Related Party Transaction**” means any transaction / transactions to be entered into individually or taken together with previous transactions during a financial year exceeds INR 1,000 crores or 10% of the annual consolidated turnover of the Company as per its 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.

“**Material modification to a Related Party Transaction**” means any modifications for an amount more than 10 percent to a Related Party Transaction which has already been approved by the shareholders, Board or Audit Committee, as the case may be.



In addition to the above, the Audit Committee may from time to time and based on the facts of particular matter(s) in hand, take a decision whether the modification in any terms and conditions of an existing Related Party Transaction would tantamount to be a material modification and thus requisite approvals may be required for the modification of the said transaction.

“Ordinary course of business” means a usual transaction if it is entered into in relation to provisions of goods or services in which the Company regularly deals or where the transaction in respect of goods or services in which the counter party normally deals, and the Company repeatedly enters into such transactions for the purpose of its business or the transaction is necessary, normal and incidental to business. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practice and guidelines.

“Related Party”: - an entity shall be considered related to the Company if:

- (i) Such entity is a related party under Section 2(76) of the Act; or
- (ii) Such entity is a related party under the applicable accounting standards.
- (iii) Such entity is a related party under regulations 2 (zb) of the Listing Regulations

An extract of the relevant definitions under Section 2(76) of the Act and Indian Accounting Standard 24 – Related Party Disclosures (which is the relevant accounting standard in this regard) is set forth in the Annexure.

“Related Party Transaction” means any transaction involving transfer of resources, services or obligations between a company and a Related Party, regardless of whether a price is charged as ascribed under Regulation 2 (zc) of Listing Agreement.

Explanation—A “transaction” with a related party shall be construed to include single transaction or group of transactions in a contract.

“Relative” means a relative as defined under the Companies Act, 2013 and includes anyone who is related in any of the following manner –

- a. Members of a Hindu Undivided Family
- b. Husband or Wife;
- c. Father (including stepfather);
- d. Mother (including stepmother);
- e. Son (including stepson);
- f. Son’s Wife
- g. Daughter
- h. Daughter’s husband
- i. Brother (including stepbrother); or
- j. Sister (including stepsister).

In the event of any inconsistency or conflict between a term as defined in this Policy and as prescribed under the Listing Regulations, the Act or Ind AS 24 (as applicable), the definition under such relevant regulatory framework would prevail.

4. POLICY

Every 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 categorized as a Related Party to the Company. The list shall be submitted to the Company (i) at the time of appointment of such person to office; and (ii) at the first meeting of the Board held in every financial year, subject to immediately intimating the Company of any modification/variation to the list so provided.

Further, based on the group structure of ADC India Communications Limited, and investments made by or in ADC India Communications Limited, the Audit Committee and the Board should determine whether any entity would be a Related Party.

4.1 IDENTIFICATION OF RELATED PARTIES

Before the start of each financial year, the Company shall identify a list of 'Related Parties' in accordance with definition given in Listing Regulations containing the names of individuals and entities. The identification should be carried out based on the disclosures received from Directors / Key Managerial Personnel / Shareholders of the Company and by reviewing the shareholding, the Group structure including holding company and fellow subsidiaries of the Company.

The list of related parties should be reviewed quarterly jointly by the Chief Financial Officer and Company Secretary. Any changes in the list during the financial year shall be made as and when the Company receives information in this regard from the Directors, Key Managerial Personnel, Shareholders and change in the Group Structure.

Each Director and Key Managerial Personnel of the Company is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transactions involving him/her or his/her relative, including any additional information about the transaction that the Board or Audit Committee may request.

4.2 IDENTIFICATION OF RELATED PARTY TRANSACTIONS

The Company would collate list of Related Party Transactions as follows:

- Continuing Related Party Transactions as per the disclosure made in its financial statements.
- Transactions which are likely to be entered into with each Related Party and estimated value of such transactions before the beginning of each financial year to obtain necessary approvals in accordance with this Policy.

Any member of the Audit Committee or Board who is directly or indirectly interested in any Related Party Transactions shall rescue himself and abstain from participating in the discussion and voting for such item under consideration by the Audit Committee and Board, as the case may be.

4.3 REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

Listing Regulations

Subject to the omnibus approval process referred to under Regulation 23 of Listing Regulations, all Related Party Transactions shall be placed before the audit committee for prior approval.

While considering any transaction, the Committee shall take into account all relevant facts and circumstances 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.



Prior to the approval, the Committee shall, inter-alia, consider the following factors to the extent relevant to the transaction:

- Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis;
- The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any.
- Whether the Related Party Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction; and
- Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director's interest, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee deems relevant.

Act

As per Section 188 of the Act read with the rules made thereunder, all transactions specified therein with related parties shall require prior approval of the Board and of the shareholders if it exceeds the limited prescribed, except transactions which are in the ordinary course of business and on arm's length basis.

Section 177(4) of the Act, requires Audit Committee to approve transactions or any subsequent modification thereof of the Company with the related parties

4.4 PRIOR APPROVAL OF THE AUDIT COMMITTEE

All transactions entered with Related Parties and any subsequent material modifications to a Related Party Transaction shall be undertaken only after prior approval of Audit Committee. The Audit Committee shall be provided with the requisite information for approval of each Related Party Transaction.

Further, only those members of the Audit Committee, who are independent directors, shall approve Related Party Transactions.

4.5 OMNIBUS APPROVAL BY AUDIT COMMITTEE

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre-approval / omnibus approval. While granting the approval the Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company.

The omnibus approval shall specify the following:

- a. Name of the related party
- b. Nature of the transaction
- c. Period of the transaction
- d. Maximum amount of the transactions that can be entered into
- e. Indicative base price / current contracted price and formula for variation in price, if any
- f. Such other conditions as the Audit Committee may deem fit.



Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied / amended. Any proposed variations / amendments to these factors shall require a prior approval of the Committee.

Further, where the need of the related party transaction cannot be foreseen and all prescribed details are not available, Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only). The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification. Further, the Committee shall on a quarterly basis review and assess such transactions including the limits to ensure that they are in compliance with this Policy. The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

All transactions proposed to be entered into by the Company with Related parties will be put up for approval of Audit Committee on regular basis. (Section 177 (4) (iv) of the Act).

The management proposal for related party transactions will include all material particulars of the proposed transaction and a detailed analysis and justification / rationale for entering into a related party transaction as compared to a transaction with a non-related party.

The proposal will also state whether the transaction is of a routine nature or a one-off transaction.

In each case, the management proposal will include analysis as to whether the transaction price is at an arm's length. The proposal may be supported by any third-party evaluation or certification in that behalf.

4.6 APPROVAL OF THE BOARD

All transactions with related parties within the scope of Section 188 of the Act, which are either not in the ordinary course of business or are not at Arm's Length shall require prior approval in the Board of Directors.

In addition to the above, the following kinds of transactions with related parties shall also be placed before the Board for its approval:

- Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and / or other parameters) require Board approval in addition to Audit Committee approval;
- Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and / or at arm's length basis and decided to refer the same to the Board for approval;
- Transactions which are in the ordinary course of business and at arm's length basis but which as per Audit Committee requires Board approval;
- Material related party transactions and any subsequent material modification to a Related Party Transaction, which are intended to be placed before the shareholders for approval.

Information in such form and manner as prescribed in the Act and / or Listing Regulations shall be provided to the Board.



4.7 APPROVAL OF THE SHAREHOLDERS OF THE COMPANY

All Material Related Party Transactions and any subsequent Material modification to a Related Party Transaction, shall require prior approval of the shareholders through Resolution. The Notices to be sent to the Shareholders to seek approval for a Related Party Transaction shall provide requisite information for each such transactions as required under both Listing Regulation and the Act.

In addition to the above, all kinds of transactions with related parties covered under Section 188 of the Act which (a) are not at Arm's Length or not in the ordinary course of business; and (b) exceed the thresholds laid down in Companies (Meeting of Board and its Powers) Rules, 2014 or in this Policy, shall require prior approval of the shareholders through resolution.

However, prior shareholder's approval will not be required for a transaction wherein any listed subsidiary of the Company is a party, but the Company is not a party, and regulations pertaining to Corporate Governance and Related Party Transactions as ascribed under Listing Regulation are applicable to such listed subsidiary. Also, for Related Party Transactions of unlisted subsidiaries of a listed subsidiary the prior approval of the shareholders of the listed subsidiary shall suffice.

4.8 RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED UNDER THIS POLICY:

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Committee deems appropriate under the circumstances.

4.9 DETERMINATION OF ARM'S LENGTH

The Company adopts generally accepted practices and principles in determining whether the transaction is at 'arm's length'. In the absence of any definition, the Company may refer to guidance given in Income Tax Laws, Customs Laws, EXIM laws, etc.

Determining arm's length price ('ALP') is a matter of judgement and it shall be assessed on case-by-case basis depending upon the facts and circumstances in each case.

The following are some of the information that may be used to determine arm's length basis analysis such as:

- Prices charged by the Company to other third-party unrelated parties;
- Third party comparable commercial offers / quotations
- Market analysis, research report, industry trends, business strategies, etc;



- Management assessment of pricing terms and business justifications for the proposed transaction;
- Comparative analysis, if any, of other such transactions entered into by the Company;
- All related party transactions should be adequately supported by contracts / purchase order / work order or sales order and documentation to justify ALP;
- If ALP cannot be justified for any transaction, then approval should be taken from Board and shareholders as required under the Act.

5. DISCLOSURE

Director's Report shall contain details of Related Party Transactions as required under the Act and Listing Regulations.

This Policy will also be uploaded on the website of the Company and the web-link to the Policy shall be provided in the Annual Report of the Company.

The Policy will be communicated to all operational employees and other concerned personnel of the Company.

The Company shall disclose to the stock exchanges along with the compliance report on corporate governance on a quarterly basis, details of all material transactions with Related Parties.

The Company shall submit within 15 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified by SEBI from time to time to the stock exchanges and publish the same on its website. Further with effect from April 1, 2023, the Company shall make such disclosure on the date of publication of its standalone and consolidated financial results.

6. THRESHOLD LIMITS FOR DEALING WITH RELATED PARTIES

As required under Regulation 23(1) of the Listing Agreement, the Company has fixed the following materiality threshold limits, beyond which approval of the shareholders through resolution will be required except for the transactions exempted pursuant to the proviso to Regulation 23(4) of the Listing Agreement:

- Payment to a Related Party with respect to brand usage or royalty – 5% of the annual consolidated turnover of the Company as per its last audited financial statements
- Other transactions with a Related Party – INR 1,000 crores or 10% of the annual consolidated turnover of the Company as per its last audited financial statements, whichever is lower.

7. LIMITATION AND AMENDMENT

The requirements, conditionality's, thresholds and compliance obligations under the Act and Regulation 23 of Listing Regulations are independent and separate, 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 provisions of the Act or Listing Regulations, which makes any of the provisions in the Policy inconsistent with the Act or Listing Regulations, such provisions of the Act or Listing Regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

8. POLICY REVIEW

This Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the Policy due to change in the Act or Listing Regulations or as may be felt appropriate by the Audit Committee/Board of Directors. However, the Board of Directors of the Company shall review the Policy at least once in every three years.



ANNEXURE

1. Section 2(76) of the Act

1.1 A related party means:

- (i) A director or his relative;
- (ii) Key managerial personnel or his relative;
- (iii) A firm, in which a director, manager or his relative is a partner;
- (iv) A private company in which a director or manager or his relative is a member or director;
- (v) A public company in which a director or manager is a director and holds along with his relatives, more than two per cent. of its paid-up share capital;
- (vi) Any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) Any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

(viii) Any company which is— (A) a holding, subsidiary or an associate company of such company; or (B) a subsidiary of a holding company to which it is also a subsidiary.

1.2 A director, other than an independent director, or key managerial personnel of the holding company or his relative, shall be deemed to be a related party.

1.3 Associate Company in relation to another company means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation — For the purposes of this clause, “significant influence” means control of at least twenty per cent of total share capital, or of business decisions under an agreement.

1.4 Holding Company, in relation to one or more other companies, means a company of which such companies are subsidiary companies.

1.5 (KMP) in relation to a company, means

- (i) The Chief Executive Officer, the Managing director or the Manager;
- (ii) The Company Secretary;
- (iii) The whole-time Director
- (iv) The Chief Financial Officer; and
- (v) Such other person as may be prescribed.



1.6 Subsidiary, in relation to any other company (that is to say the holding company), means a company in which the holding company— (i) controls the composition of the Board of Directors; or (ii) exercises or controls more than one-half of the total share capital, either at its own or together with one or more of its subsidiary companies

Explanation—

(a) A company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;

(b) The composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;

(c) The expression "company" includes any body corporate.

2. Ind AS 24 – Related Party Disclosures

Ind AS requires the disclosure of the related party relationship and the transaction with related parties in the annual report.

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control of the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).



(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Following are some examples of the related party transactions under Ind AS 24:

- Purchase or sale of goods (finished or unfinished)
- Purchase or sale of fixed assets
- Rendering or receiving of services
- Agency arrangements
- Leasing or hire purchase arrangements
- Transfer of research and development
- License agreements
- Finance (including loans and equity contributions in cash or kind)
- Guarantees and collaterals
- Management contracts including deputation of employees