

VOLTAS LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

1. SCOPE AND PURPOSE OF THE POLICY:

Related Party transactions can present a potential or actual conflict of interest which may be against the best interest of the Company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“**Act**”) read with the Rules framed thereunder and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time (hereinafter referred to as SEBI Listing Regulations, 2015), Voltas Limited has formulated revised guidelines for identification of related parties and for proper conduct and documentation of all related party transactions.

Moreover, Regulation 23(1) of SEBI Listing Regulations, 2015, requires a listed company to formulate a policy on materiality of related party transactions and for dealing with related party transactions.

In the light of the above, Voltas Limited has framed the Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company based on recommendation of Audit Committee and going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board. The Board would review the Policy at least once in every three years and amend the same, if so required.

In case of any inconsistency in the Policy and the SEBI Listing Regulations, as may be amended from time to time, the provisions of the SEBI Listing Regulations would prevail.

2. ABOUT THE COMPANY:

Voltas is India's largest air conditioning company, and one of the world's premier engineering solutions providers and project specialists.

Founded in India in 1954, Voltas Limited offers engineering solutions for a wide spectrum of industries in areas such as heating, ventilation and air conditioning, refrigeration, electro-mechanical projects, textile machinery, mining and construction equipment, water management & treatment, cold chain solutions, building management systems and indoor air quality.

Over the years, Voltas has built up a substantial reputation and is actively engaged in turnkey projects in fields such as

- electro-mechanical works comprising HVAC, electrical systems for buildings, plumbing, fire fighting, ELV and specialized systems, building security and other utilities.
- electrical power projects.
- environmental and water pollution control, pumping stations and water supply and water and waste water treatment projects.

Voltas possesses adequate capability in the manufacture of room/split air conditioners, industrial air conditioning and refrigeration equipment, water coolers, commercial refrigerators, visi coolers and freezers, mining and construction equipment. All these products bear the stamp of state-of-the-art plant, machinery and processes.

Voltas' sales and service operations cover:

- in-house manufactured products, including air conditioning equipment and unitary cooling products.
- products of principals represented, including textile machinery and mining and construction equipment.
- The Company demonstrates its specialized engineering expertise, as well as its extensive network for global sourcing.

3. OBJECTIVE OF THE POLICY:

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 Act, Regulation 23 of SEBI Listing Regulations, 2015 and any other laws and regulations as may be applicable to the Company.

4. DEFINITIONS:

- (a) **“Act”** shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications or re-enactment thereof.
- (b) **“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.
- (c) **“Audit Committee”** means the Committee of the Board formed under Section 177 of the Act and Regulation 18 of SEBI Regulations, 2015.
- (d) **“Company”** means Voltas Limited.
- (e) **“Key Managerial Personnel”** means Key Managerial Personnel of the Company in terms of the Companies Act, 2013 and the Rules made thereunder.
- (f) **“Material Related Party Transaction”** means a material transaction as defined in Regulation 23(1) of SEBI Listing Regulations, 2015 or any other law or regulation including any amendment or modification thereof, as may be applicable.
- (g) **“Related Party”** means a person or an entity
 - (i) **which is a related party under Section 2(76) of the Companies Act, 2013 and Regulation 2(1)(zb) of SEBI Listing Regulations, 2015.**
 - (ii) which is a related party under applicable accounting standards.

Related party under Section 2(76) of the Companies Act, 2013 and Rules made thereunder are as follows:

- (i) a director or his relative;
- (ii) a 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 (vi) and (vii) above shall apply to the advice, directions or instructions given in a professional capacity.

- (viii) any body corporate 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; or
 - (c) an investing company or the venturer of the Company.
- (ix) such other person as may be prescribed by Central Government.

‘Related Party’ under Regulation 2(1)(zb) of the SEBI Listing Regulations, 2015, means a related party as defined under Section 2(76) of the Companies Act, 2013 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 of twenty per cent or more; or ten per cent or more with effect from 1st April, 2023 in the company either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year shall be deemed to be a related party.”
- (h) **“Related Party Transaction” as per Regulation 2(1)(zc) of SEBI Listing Regulations, 2015 means a transaction involving a transfer of resources, services or obligations between:**
- (i) 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
 - (ii) 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 1st April, 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.

Provided that the following shall not be a related party transaction:

- (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 - ICDR) Regulations, 2018;
- (b) the following corporate actions by the Company 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.

As per Section 188 of the Act, the following are related party transactions:

- (i) sale, purchase or supply of any goods or materials;
- (ii) selling or otherwise disposing of, or buying, property of any kind;
- (iii) leasing of property of any kind;
- (iv) availing or rendering of any services;
- (v) appointment of any agent for purchase or sale of goods, materials, services or property;
- (vi) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (vii) underwriting the subscription of any securities or derivatives thereof, of the company.

- (i) **“Relative”** with reference to any person as defined in Section 2(77) of the Act means anyone who is related to another, if-
 - (i) they are members of Hindu Undivided Family;
 - (ii) they are husband and wife; or
 - (iii) one person is related to the other person as:
 - (a) Father (including step-father)
 - (b) Mother (including step-mother)
 - (c) Son (including step-son)
 - (d) Son's wife
 - (e) Daughter
 - (f) Daughter's husband
 - (g) Brother (including step-brother)
 - (h) Sister (including step-sister)

- (j) **“Subsidiary”** means a company as defined in Section 2(87) of the Act, 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 voting power either at its own or together with one or more of its subsidiary companies.

- (k) **Promoter Group: shall have the same meaning as assigned to in Clause (pp)(iii) of Regulation 2 (i) of SEBI (ICDR) Regulations.**

If Promoter is a body corporate:

- (A) a subsidiary or holding company of such body corporate**
- (B) any body corporate in which the Promoter holds twenty percent or more of the equity share capital; and/or any body corporate which holds twenty percent or more of the equity share capital of the Promoter.**

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the SEBI Listing Regulations, 2015, Securities Contracts (Regulation) Act or any other applicable law or regulation.

5. MATERIALITY THRESHOLDS:

- (a) Regulation 23(1) of SEBI Listing Regulations, 2015 requires a company to provide materiality thresholds for transactions beyond which the shareholders’ approval will be required by way of an Ordinary Resolution. **In line with the amendment made in SEBI Listing Regulations, the Company has revised its material threshold limit – ‘if the value of transaction exceeds Rs. 1000 crores or 10% of the annual consolidated turnover as per last audited financial statements of the Company, whichever is lower’. Accordingly, all transactions with related party shall be considered material if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1000 crores or 10% of the annual consolidated turnover of the Company, based on the last audited financial statements, whichever is lower.**

- (b) 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 5% of the annual consolidated turnover of the Company as per last audited financial statements of the Company.

6. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS:

(a) Identification of related parties

Voltas Limited has adopted a process for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Regulation 2(1)(zb) of SEBI Listing Regulations, 2015. **List of subsidiaries/step-down subsidiaries and associate companies of Tata Sons Private Limited as furnished to the Company on quarterly basis is also considered for identifying the related parties.**

(b) Identification of related party transactions

Voltas Limited has adopted a process for identification of related party transactions in accordance with Section 188 of the Act and Regulation 2(1)(zc) of SEBI Listing Regulations, 2015. Voltas Limited has also formulated certain criteria for determining whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company shall seek external professional opinion, if necessary. While 'Ordinary Course of Business' (OCB) has not been defined in the Companies Act, 2013 and/or in SEBI Listing Regulations, 2015, OCB means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake if:

- (i) the Objects clause of Memorandum of Association of the Company permits such activity; or
- (ii) it is a historical practice and there is a pattern of frequency (and not an isolated transaction); or
- (iii) it has a connection with the normal business carried on by the Company; or
- (iv) the income, if any, earned from such activity/transaction is assessed as business income in the Company's books of accounts and hence, is a 'business activity'; and
- (v) it is a common commercial practice.

(c) Arm's length price - Principle

A related party transaction should be priced at a level at which unrelated parties would undertake 'similar' transactions under 'similar' conditions.

(d) Procedure for approval of related party transactions

- Approval of the Audit Committee

In line with the requirement of Regulation 23 (2) of SEBI Listing Regulations 2015, all Related Party Transactions (RPTs) and subsequent material modifications shall require prior approval of the Audit Committee of the Company. Further, only Independent Directors who are Members of the Audit Committee shall approve the RPTs. (Voltas Audit Committee comprise only Independent Directors). The Audit Committee of the Company shall define 'Material Modifications' which has been disclosed as part of this Policy. "Material Modifications" shall mean and include any modification to an existing RPT having variance of 20% of the existing sanctioned limit or such modification which materially changes the nature of the transaction in terms of credit period, discount, terms of payment or such other modification which results into the transaction not meeting the test of 'Arms Length'.

A RPT to which a subsidiary of the Company is a party (but the Company is not a party) shall require prior approval of the Audit Committee of the Company (Voltas) if the value of the transaction entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover, as per the last audited financial statements of the Company. With effect from 1st April, 2023, the threshold limit of 10% shall apply to the annual standalone turnover as per the last audited financial statements of the relevant subsidiary.

However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

- The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy and such approval shall be applicable in respect of repetitive transactions;

- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- The omnibus approval shall provide details of:
 - (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
 - (ii) the indicative base price / current contracted price and the formula for variation in the price if any (for ex: +/- 5%), and
 - (iii) such other conditions as the Audit Committee may deem fit.

However, in case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 crore per transaction;

- The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approval given;
- Such omnibus approval shall be valid for a period of one year and shall require fresh approval after the expiry of one year, i.e. for each financial year.

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the Management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;

- Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
 - market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 - third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
 - management assessment of pricing terms and business justification for the proposed transaction;
 - comparative analysis, if any, of other such transaction entered into by the company.
 - **Cost plus method.**

In case of transaction, other than transactions referred to in Section 188 of the Act and where the Audit Committee does not approve any transaction, it shall make its recommendation to the Board.

As per Section 177 of the Act, the requirement of seeking Audit Committee approval shall not be applicable to transactions, other than a transaction referred to in Section 188 of the Act, between the Company and its wholly-owned subsidiary/ies.

Further, as per Regulation 23(5) of the SEBI Listing Regulations, the requirement of seeking Audit Committee approval shall not be applicable to transactions between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with the Company. **The Companies Act, 2013 does not provide similar exemptions and therefore, omnibus approval of Audit Committee for RPTs between the Company and its wholly-owned subsidiaries would still be required.**

- Approval of the Board of Directors of the Company

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business and at arm's length basis, would be placed before the Board for its approval. **Such approval shall be granted only by means of a Resolution passed at a Meeting of the Board.**

In addition to the above, the following kinds of transactions with related parties would 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 decides 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 in Audit Committee's view requires Board approval;
 - Transactions which are viewed to be in the ordinary course of business and at arm's length basis by the Management, but which are also tabled to the Board for its approval from an improved governance perspective; and
 - Transactions beyond the materiality threshold limit laid down under Clause 5 of the Policy (**exceeding Rs. 1000 crores or 10% of annual consolidated turnover whichever is lower**), which are intended to be placed before the shareholders for approval.
- Approval of the Shareholders of the Company

All Material RPTs beyond the materiality threshold limit laid down in Clause 5 of the Policy and subsequent material modifications as defined by the Audit Committee and laid down in Clause 6 of the Policy (irrespective of the fact whether the transaction, contract or

arrangement is in the ordinary course of business or at arm's length) shall require prior approval of Shareholders through a Resolution and no Related Party shall vote to approve such Resolution whether the entity is a Related Party to that particular transaction or not. In other words, Promoter and Promoters Group of Voltas shall not be entitled to vote to approve RPTs at the Shareholders General Meeting. Similarly, for material RPTs of Voltas subsidiaries, prior approval of shareholders of Voltas shall be required. However, these provisions shall not be applicable for transaction/s between the Company and its wholly-owned subsidiaries if their accounts are consolidated and placed before the Shareholders at a General Meeting of the Company for approval.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business and at arm's length basis; and (b) exceed the threshold limits laid down in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, would be placed before the Shareholders for their approval.

The Companies Act, 2013 also, like Regulation 23(5)(b) of the SEBI Listing Regulations, 2015 provides similar exemption for seeking shareholders approval (by Ordinary Resolution) for related party transactions between the Company and its wholly-owned subsidiaries if their accounts are consolidated and placed before the Shareholders at a General Meeting for approval. Presently, accounts of all wholly-owned subsidiaries are consolidated and Voltas Consolidated Financial Statements are placed before the Shareholders for adoption/approval at the Annual General Meeting. **Hence, no approval shall be sought from the shareholders for such RPTs.**

While Regulation 23(5)(c) of the SEBI Listing Regulations (as amended with effect from 1st April, 2022) also exempts transactions between two wholly-owned subsidiaries of the Company if their accounts are consolidated and placed before the shareholders of the Company at a General Meeting for approval, no similar exemption has been granted under the Companies Act, 2013.

7. DISCLOSURES

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.

In addition to the above, the Company shall also provide details of all Material related party transactions on a quarterly basis in the Compliance Report on Corporate Governance submitted to the Stock Exchanges in line with the requirements of Regulation 27 (2)(b) of the SEBI Listing Regulations, 2015.

The Company shall also submit within 15 days from the date of publication of half-yearly financial results (stand-alone and consolidated), disclosures of related party transactions on a consolidated basis, in the format specified by the SEBI to the Stock Exchanges and publish the same on its website. With effect from 1st April 2023, such disclosures shall be made on the date of publication of its financial results (stand alone and consolidated).

The Company shall disclose the Policy on dealing with Related Party Transactions on its website, pursuant to Regulation 46(2) of SEBI Listing Regulations, 2015.

8. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party, etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

9. **EFFECTIVE DATE:**

The Revised Policy as approved by the Board of Directors at its Meeting held on 5th May, 2022 shall be effective from 1st April, 2022.