

POLICY ON RELATED PARTY TRANSACTIONS

Pursuant to Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

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 a 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, Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 (“SEBI Listing Regulations”) and the Industry Standards on minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions (“RPT Industry Standards”), Tata Motors Limited (Formerly TML Commercial Vehicles Limited (“**the Company**”)) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Regulation 23(1) of the SEBI Listing Regulations requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions. Further, Regulation 23(2) requires the Audit Committee to define material modification and disclose it as a part of the policy.

In light of the above, the Company has framed this Policy on Related Party Transactions (“Policy”). The amendment to this Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee.

If the terms of this Policy differ from any existing or newly enacted regulation or law governing the Company, such regulation or law will take precedence over this Policy, until this Policy is amended to conform to the regulatory amendment / enactment.

2. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out (a) the basis of identifying related parties of the Company as well as related party transactions, (b) the materiality thresholds for related party transactions, (c) define material modification, and (d) the manner of dealing with and disclosing the transactions between the Company and its related parties as required under the Act, the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

3. DEFINITIONS

- 3.1 “**Arm’s Length Pricing (‘ALP’) Transaction**” means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest or where based on the business requirements and then prevailing economic conditions, the relevant stake holders have approved the terms of proposed related party transactions or where a regulator provides for any conditions impacting the market price of such transaction (for example in the case of an Advance Pricing Agreement) etc.

Therefore, the Company would apply judgment to conclude whether a transaction can be considered to be on an arm's length basis. The following may be considered in concluding whether a transaction is on an arm's length pricing basis:

- The transaction is as per the prevailing price list, pricing policy, market price or at the same price (or margin) at which entered into with unrelated parties;
- The transaction is in line with unrelated parties quotations or bids;
- The transaction is at a price or rate in sync with Government guidelines or industry body specifications where relevant;
- Cost sharing arrangements, where costs are shared based on the benefit derived;
- Taking assistance of an expert – valuation specialist;
- Principles under the transfer pricing guidelines; or
- Such other criteria as prescribed under applicable law or judicial precedents.

3.2 **“Ordinary Course of Business (‘OCB’)”** means a transaction which/wherein:

- is carried out in the normal course of business envisaged in accordance with the Memorandum of Association (‘MoA’) of the Company as amended from time to time, or
- is as per historical practice with a pattern of frequency, or
- is in connection with the normal business carried on by the Company, or
- 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, or
- is common in commercial or industrial practice, or
- meets any other parameters / criteria as decided by the Board/Audit Committee.

3.3 **“Material modification”** means any modification made in the value/exposure of any ongoing Related Party Transaction, as originally approved by the Audit Committee and/or the Shareholders, which has the effect of variation in the approved value or limits of the transaction, by 25% or more, or by which the transaction ceases to be in ordinary course and/or on arm's length pricing basis or such other parameter as sanctioned by the Audit Committee / the Board of Directors / the Shareholders of the Company from time to time.

Provided further that the following shall not be considered as material modification –

- modifications which may be mandated pursuant to change in the Act or the SEBI Listing Regulations or other applicable law;
- modifications resulting from change in constitution of either of the parties pursuant to schemes of arrangement (e.g. merger, amalgamation, demerger, etc.);
- modifications which are purely technical and do not result in substantive change or alteration of rights, interests, and obligations of any of the parties;
- modifications uniformly affected for similar transactions with unrelated parties.

3.4 **“Material Related Party Transactions”** shall have the same meaning as defined in Regulation 23 of the SEBI Listing Regulations.

3.5 **“Relative”** in relation to a related party shall have the same meaning assigned to in Section 2(77) of the Act and the rules prescribed thereunder.

3.6 **“Related Party”** shall have the same meaning as defined under Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI Listing Regulations.

Reference and reliance may be placed on clarifications issued by the Ministry of the Corporate Affairs, Government of India, SEBI and other regulatory authorities from time to time on the interpretation of the term “Related Party”.

3.7 **“Related Party Transactions”** shall have the meaning as defined under Regulation 2(1)(zc) of the SEBI Listing Regulations or as envisaged in Section 188(1) of the Act.

Following transactions shall not be Related Party Transactions:

- a. the issue of specified securities on preferential basis, subject to compliance of 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. sub-division 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. units issued by mutual funds which are listed on a recognized stock exchange(s); and
- d. retail purchases from the Company or its subsidiary by the directors or key managerial personnel of the listed entity or its subsidiary, and relatives of such directors or key managerial personnel, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees, directors, key managerial personnel and relatives of directors or key managerial personnel.

3.8 **“Transaction”** shall be construed to include single transaction or a group of transactions in a contract.

3.9 Any other term not defined herein shall have the same meaning ascribed to it under the Act, SEBI Listing Regulations, RPT Industry Standards or any other law, standard, rule or regulation, applicable to the Company, including any statutory modifications or re-enactments thereto.

4. MATERIALITY THRESHOLDS

4.1 Regulation 23 of the SEBI Listing Regulations requires the Company to provide materiality thresholds for related party transactions beyond which prior approval of the shareholders’ will be required by way of an ordinary resolution.

4.2 The Company has fixed its materiality thresholds at the level prescribed under explanation to Regulation 23(1) of the SEBI Listing Regulations as under:

4.2.1. In case of transaction involving payments made to a Related Party with respect to brand usage or royalty, if it exceeds five percent (5%) of the annual consolidated turnover of the Company as per its last audited financial statements.

4.2.2. In case of any other related party transaction, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds the thresholds specified in Schedule XII of

the SEBI Listing Regulations.

4.2.3. Further, Regulation 23 of the SEBI Listing Regulations provides that any subsequent material modifications to the terms of such related party transactions, as defined under Clause 3.3 of the Policy or as may be ascribed on a case by case basis by the Audit Committee, shall also require shareholders' prior approval.

5. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

5.1 Identification of related parties

The Company shall identify and update the list of related parties as prescribed under Section 2(76) of the Act read together with the Rules framed thereunder and Regulation 2(1)(zb) of the SEBI Listing Regulations.

5.2 Identification of related party transactions

The Company shall identify related party transactions in accordance with Section 188 and 177 of the Act read together with Regulation 2(1)(zc) of the SEBI Listing Requirements. The Company shall determine whether the transaction is in the ordinary course of business and valued at arm's length pricing basis and for this purpose, the Company may seek external professional opinion, if necessary.

Once a transaction between related parties is identified, it shall be categorized in accordance with Para 1 of the RPT Industry Standards and suitable disclosures as prescribed under Para 4 and in the manner mentioned under Para 3 shall be provided to the Audit Committee, to review and approve the same.

5.3 Procedure for approval of related party transactions

5.3.1 Approval of the Audit Committee

5.3.1.1 All related party transactions, including material related party transactions and subsequent material modifications thereto shall require prior approval of the Audit Committee.

5.3.1.2 Only Members of the Audit Committee, who are independent directors, shall approve related party transactions.

5.3.1.3 A related party transaction to which the subsidiary of a listed entity is a party, but the listed entity is not a party, shall require prior approval of the Audit Committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ₹1 crore and shall require prior approval of the Audit Committee of the Company, if the value of such transaction, exceeds the limits prescribed under Regulation 23(2)(b) or Regulation 23(2)(c), as may be applicable, of the SEBI Listing Regulations.

5.3.1.4 The Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliance with the following conditions, including those enshrined under Regulation 23(3) of the SEBI Listing Regulations and the RPT Industrial Standards:

- The Audit Committee shall after seeking guidance of the Board of Directors, specify the criteria for granting omnibus approval in line with this Policy which shall include the following, namely:
 - the name/s of the related party and its relationship with the company and/or its subsidiary, nature of transaction, period of transaction, maximum number of transactions, in aggregate, which shall be entered into in a financial year;
 - the maximum value per transaction which can be allowed;
 - the indicative base price/current contracted price and the formula for variation in the price, if any;
 - transactions which cannot be subject to the omnibus approval by the Audit Committee; and
 - such other conditions as the Audit Committee may stipulate.
- The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:
 - Repetitiveness of the transactions (in past or in future);
 - justification for the need of omnibus approval; and
 - that such approval is in the best interest of the Company or its subsidiary, as may be applicable.

5.3.1.5 However, in case of unforeseeable related party transactions, where the above details are not available, the Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 crore per transaction.

5.3.1.6 The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions and any material modifications thereto entered into by the Company or its subsidiary pursuant to each of the omnibus approval given.

5.3.1.7 Such omnibus approval shall be valid for a period not exceeding one (1) financial year and shall require a fresh approval after expiry of such financial year.

5.3.1.8 A Related Party Transaction, which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for consideration and ratification, within 3 months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, in the manner prescribed under Regulation 23(2)(f) of the SEBI Listing Regulations.

5.3.1.9 In compliance to the approval of the Board of Directors, the Audit Committee of the Company has specified following criteria for granting omnibus approval:

- The maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a financial year will be twenty-five percent (25%) of the annual consolidated turnover of the company as per its last audited financial statements.

- The maximum value per transaction which can be approved under omnibus route will be the same as per the materiality threshold as defined in Clause 4 of the Policy.
- 5.3.1.10 For each category of transactions identified as per the Clause 5.2 of this policy, the Company has a specific framework and guidelines explaining the arm's length pricing criteria to be followed by the Company and/or the subsidiary, as may be applicable, while entering into transactions falling under contracts and agreements with related parties identified as per Clause 5.1 of this policy. The Company and/or its subsidiary, as may be applicable, while entering into RPTs will ensure adherence with the framework and guidelines and will maintain necessary documents for the same.
- 5.3.1.11 While seeking approval for a Related Party Transaction placed before the Audit Committee, the Audit Committee shall be provided with the information as required to be provided under the Act and the SEBI Listing Regulations.
- 5.3.1.12 The Board may consider the details as required to be provided under the Act and the SEBI Listing Regulations to the Audit Committee, in order to determine if the transaction is in the ordinary course of business and at arm's length pricing or not.
- 5.3.1.13 The requirement for seeking Audit Committee approval for related party transactions shall not be applicable to transactions between the Company and its wholly owned subsidiary/ies or between two wholly owned subsidiaries of the Company, whose accounts are consolidated with the Company. Furthermore, transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between the Company on one hand and the Central Government or any State Government or any combination thereof on the other hand will also be exempt.
- 5.3.1.14 Transaction of following nature will not be subject to the omnibus approval of the Audit Committee:
- Transactions which are not valued on an arms' length pricing basis or not in the ordinary course of business.
 - Transactions which are not repetitive in nature.
 - Transactions exceeding materiality thresholds as laid down in the Policy.
 - Transactions in respect of selling or disposing of an undertaking of the Company.
 - Financial Transactions e.g. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties.
 - Any other transaction the Audit Committee may deem not fit for omnibus approval.

5.3.2 Approval of the Board of Directors of the Company

- 5.3.2.1. 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 or not at arm's length pricing basis, are placed before the Board for its approval.

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

- Transactions which may be in the ordinary course of business and valued on arm's length pricing 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 valued on arm's length pricing basis and decides to refer the same to the Board for approval.
- Transactions which are in the ordinary course of business and valued on arm's length pricing basis, but which in Audit Committee's view requires Board approval.
- Transactions meeting the materiality thresholds laid down in the Policy, including any material modifications thereto, which are intended to be placed before the shareholders for approval.

5.3.3 Approval of the Shareholders of the Company

5.3.3.1. All the transactions with related parties meeting the materiality thresholds, laid down in the Policy, including any material modifications thereto, will be placed before the shareholders for their approval.

5.3.3.2. All kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business or not valued on arm's length pricing basis; and (b) exceeds the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 shall be placed before the shareholders for their approval.

5.3.3.3. The shareholders' approval of material related party transactions approved in an annual general meeting shall be valid upto the date of the next annual general meeting for a period not exceeding fifteen months. In case approval for material related party transactions is obtained from shareholders via postal ballot or meetings other than an annual general meeting, the validity of such approval shall not exceed one year.

5.3.3.4. The notice being sent to the shareholders seeking approval for any proposed related party transaction shall, include information as required under the Act, RPT Industry Standards and the SEBI Listing Regulations.

5.3.3.5. For this purpose, no related party shall vote to approve the relevant resolution irrespective of whether the entity is a related party to the particular transaction or not.

5.3.3.6. Pursuant to Regulation 23 of the SEBI Listing Regulations and Section 188(1) of the Act the requirement for seeking shareholders' approval shall not be applicable, *inter alia*, to:

- Transactions entered into between: (a) the Company and its wholly owned subsidiary; and (b) two wholly owned subsidiaries of the Company; whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- Related Party Transactions, where the listed subsidiary of the Company is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.
- Transactions in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved.

6. DISCLOSURES

6.1 The Company shall place all information, as prescribed under the RPT Industry Standards read in conjunction with SEBI Listing Regulations, the Act as well as additional information mandated to be specified by SEBI from time to time, before the Audit Committee while seeking prior approval / ratification of the RPTs as well as in the Notice to the shareholders seeking their approval on the proposed RPTs.

6.2 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 not valued on an arm's length pricing basis along with justification for entering into such transaction.

6.3 The Company shall submit within the timelines prescribed under Regulation 23(9) of the SEBI Listing Regulations, disclosures of related party transactions on a consolidated basis, in the format specified by SEBI from time to time and publish the same on its website.

The remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require disclosure, provided that the same is not a material related party transaction in terms of this Policy.

6.4 As prescribed under Regulation 46(2)(g) of the SEBI Listing Regulations, this Policy shall be disclosed on the Company's website.

7. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

7.1 In the event the Company becomes aware of a related party transaction that has not been approved in accordance with this Policy prior to its commencement, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the 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 failure in 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, as it deems appropriate.

7.2 The members of the Audit Committee, who are independent directors, may ratify the related party transactions 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 SEBI Listing Regulations.

7.3 The failure to seek ratification of the audit committee shall render related party transactions voidable at the option of the audit committee and if the transaction is with a related party to any director or is authorized by any director, the director(s) concerned shall indemnify the Company against any losses incurred.

8. REVIEW OF THE POLICY

8.1 The adequacy of this Policy will be reviewed and amended by the Audit Committee, at least once in three years, and appropriate recommendations shall be made by the Audit Committee to the Board to update the Policy based on the changes that may be brought about due to any regulatory amendments or otherwise.