

Bharat Electronics Limited

Related Party Transactions Policy (Revised)

1. INTRODUCTION

Bharat Electronics Limited (the "Company") recognizes that certain relationships can present potential or actual conflicts of interest and may raise questions about whether transactions associated with such relationships are consistent with Company's and its stakeholders' best interests.

The Company must specifically ensure that certain Related Party Transactions (as defined below) are managed and disclosed in accordance with the strict legal and accounting requirements to which the Company is subject.

Therefore, this Revised Policy regarding the review and approval of Related Party Transactions has been adopted by the Company's Board of Directors ("the Board") in order to set forth the procedures under which certain transactions must be reviewed and approved or ratified.

The SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 mandates formulation of a policy on Materiality of transactions with Related Parties and dealing with Related Party Transactions. As part of its corporate governance practices, the Board of the Company has adopted the following Revised policy and procedure with regard to Related Party Transactions.

2. APPLICABILITY AND EFFECTIVE DATE

The Revised Policy will be applicable to the Company with effect from 27th January 2017 to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations.

3. PURPOSE

This Policy is framed based on the requirements of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and also to comply with the applicable provisions of the Companies Act, 2013 including provisions of Section 188, categorizing the transactions which require the approval of Audit Committee, Board & Shareholders as mentioned in para 5.2 below and is intended to ensure the governance and reporting of transactions between the Company and its Related Parties.

4. DEFINITIONS

"Act" shall mean the Companies Act 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars thereof.

"Arm's Length basis" in pursuance of Explanation (b) to Section 188 (1) of the Act means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determination of Arm's Length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.

"Associate Company" in pursuance of Section 2 (6) of the Act means any other company, in which the 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.

"Audit Committee" or "Committee" means "Audit Committee" of the Board of Directors of the Company.

"Board of Directors" or "Board" means the Board of Directors of the Company.

"CPSU" means Central Public Sector Undertaking.

"Company" means Bharat Electronics Limited (BEL)

"Government Company" means a Company defined as Government Company under Section 2 (45) of the Companies Act, 2013

"Key Managerial Personnel" shall mean "Key Managerial Personnel" as defined in section 2(51) of the Companies Act, 2013 and Rules made thereunder

"Key Managerial Personnel" under section 2(51) of the Companies Act, 2013 are

(i) the Chief Executive Officer or the managing director or the manager
viz., CMD i.r.o BEL;

(ii) the Company Secretary;

(iii) the Whole-time Director;

(iv) the Chief Financial Officer viz., an executive / Director authorized by the Board to act as CFO i.r.o of BEL; and

(v) such other officer as may be prescribed.

"Material Transaction" in pursuance of first proviso to Section 188 (1) read with Rule 15 (3) of the Companies (Meetings of Board and its Powers) Rules 2014 and Regulation 23 (1) of SEBI (LODR) Regulations 2015, means a transaction with a Related Party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual

consolidated annual turnover as per the last audited financial statements of the Company.

"Ordinary Course of Business" shall cover all the usual transactions, customs and practices of the company and / or its line of business.

"Policy" means Related Party Transaction Policy of the Company.

"Related Party" means a person or an entity:

- (i) which is a Related party under section 2(76) of the Companies Act, 2013; or
- (ii) which is a related party under the 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 is a member or director;
- (v) a public company in which a director or manager is a director or 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 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;
- (ix) Director (other than an independent director) or Key Managerial Personnel of the holding company or his relative; or
- (x) such other persons as may be prescribed.

"Related Party" in pursuance of Ind-AS 24, is a person or entity that is related to the entity that is preparing its financial statements (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.

“Related Party Transaction” in pursuance of Section 188 (1) of the Act, means transaction involving transfer of resources, services or obligations between the Company and the Related Party, regardless of whether a price is charged and includes :

- (a) sale, purchase or supply of any goods or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (c) leasing of property of any kind;
- (d) availing or rendering of any services;
- (e) appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the company:

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

“Relatives”: “Relative”, with reference to any person, in pursuance of Section 2 (77) of the Act, means anyone who is related to another, if—

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) one person is related to the other person

For the purpose of (iii) above, one person shall deem to be the relative of another, if he or she is related to another person in the following manner namely:

- (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)

"SEBI (LODR) Regulations" means Security and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including modifications, amendments, Circulars, clarifications thereto.

5. POLICY

5.1. Identification of potential Related Party Transactions

5.1.1. Bharat Electronics Limited Group Companies:

All the companies in Bharat Electronics Limited Group (i.e. the Subsidiaries, Joint Venture Companies and Associate companies of BEL) will be considered as Related Parties.

5.1.2. Key Managerial Personnel and connected Related Parties:

Each Director and Key Managerial Personnel (KMP) shall disclose to the Board, the names of his / her relatives and the names of the firms / companies / body corporates in which he /she is interested. The Board shall record the disclosure of Interest. The Company Secretary shall, at the earliest, inform Corporate Finance the details of disclosures made by the Directors / KMPs.

5.1.3. The Company will identify the potential transactions with the Related Parties. These Related Party Transactions will be categorized as those requiring a) prior approval, b) omnibus approval based on the criteria laid down in Para 5.2 below in consultation with finance.'

5.1.4. Corporate Finance will obtain and forward to the Company Secretary, the details of related party transactions to be placed before the Audit Committee / Board duly

indicating the appropriate authority for granting approval, namely, Audit Committee / Board of Directors / Shareholders.

5.2. Approval and Review of Related Party Transactions

I) Audit Committee:

a) All Related Party Transactions (including subsequent modifications, if any) shall normally be entered into with prior approval of the Audit Committee. Such RPTs will be processed on case by case basis duly furnishing full justification and all relevant information.

b) However, the Audit Committee may grant omnibus approval for Related Party Transactions likely to be entered into during the next financial year as per the Criteria specified in c) below for granting the omnibus approval and subject to compliance with other conditions contained in Regulation 23 of SEBI (LODR) Regulations and Rule 6A of Companies (Meetings of Board and its Powers) Rules including the amendments thereto.

c) Criteria for granting the omnibus approval:

1. Maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;

i) In case of Sale of Goods & Services:

Upto ` 500 Crore.

ii) In case of Purchase of Goods & Services:

Upto ` 500 Crore

2. The maximum value per transaction which can be allowed under omnibus route in a year:

i) In case of Sale of Goods & Services: Upto ` 200 Crore in case of CPSUs and ` 50 Crore in case of other parties.

ii) In case of Purchase of Goods & Services: Upto ` 200 Crore in case of CPSUs and ` 50 Crore in case of other parties.

3. Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval:

a) Name of the Unit,

- b) Name of the Related Party,
- c) Nature & Duration of Transaction,
- d) Brief Description of Items,
- e) Maximum Estimated Amount of Transactions that is expected to be entered into,
- f) the indicative base price or current contracted price and the formula for variation in the price, if any,
- g) Basis of Price Determination,
Whether at Arm's Length basis and in the ordinary course of business
- h) any other information relevant or important for the Audit Committee to take a decision on the proposed transactions, keeping in view, the omnibus approval, in aggregate granted so far / utilized during the financial year.

4. Where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

5. The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company.

6. The omnibus approval granted shall be valid for a period not exceeding a financial year and shall require fresh approval on the expiry of such financial year.

7. Transactions which cannot be subject to the omnibus approval by the Audit Committee:

- (i) Transactions which are non-repetitive in nature
- (ii) Transactions in respect of selling and disposing of the undertaking of the company.
- (iii) Any other statutory restrictions imposed from time to time.

8. Periodicity of Review of related party transaction entered into by the company pursuant to each of approval made: Quarterly Review.

To review a Related Party Transaction entered into by the Company in pursuant to the omnibus approval given, the Audit Committee shall be provided with the necessary information, to the extent relevant, with respect to actual Related Party Transactions.

9. Any other criteria (not included above) required to be complied with from time to time as per statutory rules and regulations.

II) Board of Directors

i) All Related Party Transactions (and subsequent modifications, if any) specified under section 188 of the Act shall be subject to prior approval of the Board of Directors, by way of resolutions passed at Board Meetings, unless the transactions are entered into

- In the “Ordinary course of business” and
- are conducted on Arm’s length basis

ii) In addition, if the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve such Related Party Transaction(s).

iii) Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

iv) In pursuance of Rule 15 (1) of Companies (Meetings of Board and its Powers) Rules including the amendments thereto, the agenda of the Board meeting at which the resolution is proposed to approve /review a Related Party Transaction, shall disclose-

- (a) the name of the related party and nature of relationship;
- (b) the nature, duration of the contract and particulars of the contract or arrangement;
- (c) the material terms of the contract or arrangement including the value, if any;
- (d) any advance paid or received for the contract or arrangement, if any;
- (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- (g) any other information relevant or important for the Board to take a decision on the proposed transaction.

III) Shareholders:

a) Under the Companies Act, 2013

Prior approval of the Shareholders by way of a resolution shall be obtained for entering into Related Party Transactions (and subsequent modifications, if any) specified under section 188 of the Act (other than those entered into in the Ordinary Course of Business and on Arm’s length basis) if they exceed the threshold limits specified under Section 188 (1) of the Act read with Companies (Meetings of Board and its Powers) Rules, 2014 (as amended) from time to time.

In pursuance of the Govt. Notification No. GSR 463 (E) dated 05.06.2015, no resolution is required to be passed in respect of transaction entered into by the Company with another Government Company.

In pursuance of fourth proviso to Section 188 (1) of the Act, no resolution is required to be passed in respect of 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.

In pursuance of Explanation 3 to Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014 (as amended), the explanatory statement to be annexed to the notice of a general meeting shall contain the following particulars, namely:—

- (a) name of the related party
- (b) name of the director or key managerial personnel who is related, if any;
- (c) nature of relationship;
- (d) nature, material terms, monetary value and particulars of the contract or arrangement;
- (e) any other information relevant or important for the members to take a decision on the proposed resolution.

The above threshold limits shall apply to transaction or transactions to be entered into individually or taken together with previous transactions during a financial year. The Turnover or Net worth specified above shall be computed on the basis of the Audited Financial Statements of the preceding financial year.

All entities falling under the definition of related parties and who are party to or interested in the transaction(s) shall abstain from voting on the resolution.

b) Under SEBI (LODR) Regulations

In pursuance of Regulation 23, all material related party transactions shall require approval of the shareholders through a resolution. However, transactions between two Government Companies and those between an 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 not require approval of the shareholders.

All entities falling under the definition of Related parties shall abstain from voting on the resolution irrespective of whether the entity is a party to the particular transaction or not.

6. 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 granted prior approval under this Policy, the same shall be put for approval to the appropriate authority within three months of the date on which such Contract or Arrangement was entered into.

Such cases shall be first reviewed by the Audit Committee. The 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 Committee may examine the facts and circumstances of the case and take any such action it deems appropriate.

If the approval of such transactions is not obtained within the above specified time limit of three months, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorized by any other director, the director/s concerned shall indemnify the company against any loss incurred by it.

Also, it shall be open to the company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of section 188 of the Act for recovery of any loss sustained by it as a result of such contract or arrangement.

Any director or any other employee of a company, who had entered into or authorized the contract or arrangement in violation of the provisions of section 188 of the Act shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakhs rupees, or with both.

7. DISCLOSURES

Details of all Material transactions with Related Parties shall be disclosed to stock exchanges quarterly along with the compliance report on corporate governance.

Every Contract or Arrangement with a Related Party approved by the Board shall be disclosed in the Board's report to the shareholders along with the justification for entering into such Contract or Arrangement.

The Company shall disclose the policy on dealing with Related Party Transactions on its website and web-link shall be provided in the Annual Report.

8. AMENDMENTS IN LAW

The Company shall review this policy periodically to ensure that the policy is suitably modified / updated to comply with any subsequent amendment / modification in the relevant provisions of the Companies Act, 2013, rules thereunder, Listing Regulations and any other applicable laws in this regard.