



POLICY ON RELATED PARTY TRANSACTIONS

Preamble

The Board of Directors of the Company has adopted the following Policy with respect to Related Party Transactions, in compliance with the requirements of the Companies Act 2013 and Rules made thereunder (the Act) and the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 as amended from time to time (SEBI LODR).

This Policy is intended to ensure procedural fairness, proper approval and reporting of transactions between the Company and any of its Related Parties.

This Policy shall become effective from the date of its adoption by the Board. This Policy may be amended, pursuant to the recommendation of the Audit Committee and subject to the approval of the Board.

Scope of the Policy

This Policy has been framed as per the requirements of the Regulation 23 of SEBI LODR and is intended to ensure proper approval and reporting of the concerned transactions between the Company and its Related Parties. This Policy sets out the guidelines and procedures that apply in respect of transactions entered into by the Company with a Related Party.

The Board recognizes that certain transactions present a heightened risk of conflict of interest or the perception thereof. Therefore the Board has adopted this Policy to ensure that all transactions with Related Parties shall be subject to this Policy in accordance with Applicable Law. This Policy contains the policies and procedures governing the review, determination of materiality, approval or ratification and reporting of such Related Party Transactions.

I. Definitions

Please refer to **Annexure I**. Any term not defined in the said annexure shall have the same meaning as given in the Act and rules made thereunder and/ or SEBI LODR.

Key Principles

Material Thresholds For Related Party Transactions

In accordance with Regulation 23 of SEBI LODR, the Company has formulated this Policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the Board of Directors.

The limits of materiality are defined under table B to Annexure II.

Arms' Length Pricing

The arm's length principle requires the transaction with a related party to be made at similar terms & price under comparable conditions and circumstances as a transaction with an unrelated party.

The employees would consider the guidelines given under Annexure III to determine the arms' length pricing.

Further, all the Designated Employees shall, at all times, make endeavors to ensure that all the transactions entered or proposed to be entered into by and between the Company and any of its related parties are always at arms' length unless specifically approved by the Board of Directors.

Ascertaining and Identification of Related party

- I. Every director/KMP shall at the first meeting of the Board in which he/she participates as a director/KMP and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his/her concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding in **Form MBP-1**. The KMPs shall also provide the list of Relatives which are regarded as Related Party as per this Policy.

The Company Secretary based upon declaration in **Form MBP-1** and such other available information, shall identify all related parties.

The CFO or any person responsible for Accounts & Finance function of the Company shall be responsible for identifying Related Party(ies) as per applicable Accounting Standards and reporting details of such Related Party(ies) to the Company Secretary.

- II. Each Director and KMP is responsible for disclosing (and periodically updating) particulars of his/her relatives and his/her interest in any other entity either as Director and/or Member and/or Partner etc. Additionally, the Director and KMP shall, from time to time, provide notice to the Board of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request.
- III. Every Senior Management Personnel is responsible to disclose to the Audit Committee all material, financial and commercial transactions with Related Parties, where they have personal interest that may have a potential conflict with the interest of the Company at large.
- IV. The Company Secretary & CFO shall identify Divisional CEOs, Divisional CFOs, Departmental heads and such other employees (Designated Employees) who are responsible for entering into contracts/ arrangements/ agreements with entities for and on behalf of the Company and circulate the list of Related Parties to all such Designated Employees of the Company alongwith the approval thresholds for entering into transactions with such listed Related Parties.
- V. The Information Technology Team will tag the Related Parties in the Reporting System to generate periodic reports of Related Party Transactions recorded in the system. The Company Secretary, CFO and the Chief Internal Auditor will independently review the tagging in the system from time to time.

Review and approval of Related Party Transactions

By the Audit Committee

- I. Except otherwise provided hereunder, all Related Party Transactions or changes therein must be referred for prior approval by the Audit Committee in accordance with this Policy unless the approval is exempted pursuant to the provisions of applicable law. The Committee shall consider the transaction with Related Party according to the guidelines given as per Annexure-II & III.

Any member of the Audit Committee who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

- II. The Audit committee shall consider the following factors while deliberating the related party transactions for its approval: -

- i. Name of party and details explaining nature of relationship;
 - ii. Name of the director or KMP, who is related, if any;
 - iii. Nature of transaction and material terms thereof including the value, if any and particulars of contract or arrangement;
 - iv. Business rationale for entering into such transaction and potential benefits therefrom;
 - v. Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
 - vi. Internal Auditor's report and supporting documents as **Table-A**
 - vii. Fair and on arm's length basis
 - viii. Whether the Related Party Transaction would affect the independence of an independent Director;
 - ix. Any potential reputational risk issues that may arise as a result of, or in connection, with the proposed transaction;
 - x. Whether the Related Party Transaction would present an improper conflict of interest for any Director/KMP of the Company, taking into account the size of the transaction, the benefits arising therefrom to the Company or Related Party, the direct or indirect nature of the director's, KMP's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deem relevant; and
 - xi. Any other information relevant or important for the Committee to take a decision on the proposed resolution.
- III. Before approving any transaction with related parties, the Audit Committee shall ensure that Internal Auditor has certified that the existing/proposed transaction(s) are on arms' length basis and in ordinary course of business and that all the necessary information/documents were available as per the prevailing Company policy.
- IV. The Audit Committee shall not approve any Related Party Transactions which are not at arms' length and shall recommend such transactions, if any, to the Board for appropriate action.
- V. The Audit Committee will undertake an evaluation of the Related Party Transaction. If that evaluation indicates that the Related Party Transaction would require the approval of the Board, or if the Board in any case chooses to review any such matter, the Audit Committee will report the Related Party Transaction, together with a summary of material facts, to the Board for its approval.
- VI. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company which are repetitive in nature subject to compliance of the conditions contained in SEBI LODR and the Act and upon submission of documents and informations as mentioned in **Annexure II**. The Committee shall also satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company. Such approval(s), once granted shall be valid for a period of one year and transactions done under such approval such approval shall be placed before the Committee at quarterly intervals.
- VII. In case the need for Related Party Transaction cannot be foreseen and details as per Annexure II are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 Crore per transaction or 5% of the total amount of transactions entered into by and between the Company and its related parties as at the end of immediate preceding financial year, whichever is lower. Such approval shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year.

By the Board of Directors

- i. All Related Party Transactions under Section 188;
- ii. All Related Party Transactions which are not on arms' length;
- iii. All such transaction for which the Audit Committee determines that a Related Party Transaction should be brought before the Board, whether in view of internal pre-determined threshold or otherwise; and

- iv. All such transactions which the Board chooses to review or it is mandatory under any law for Board to approve the Related Party Transaction;

The Directors interested shall, in accordance with section 184 of Act, abstain from participation in the discussion.

By the Shareholders

All material Related Party Transactions shall require approval of shareholders as under:

- i. All Material Related Party Transactions under the Companies Act, 2013, as defined under Table B to Annexure II, shall require prior approval of shareholders through ordinary resolution.
- ii. All Material Related Party Transactions under the SEBI LODR, as defined under Table B to Annexure II, shall require approval of shareholders through ordinary resolution.
- iii. Such Related Party Transactions which are either not on arm's length or in the ordinary course of business or which have specifically been recommended by the Board for shareholders' approval shall require prior approval of shareholders through ordinary resolution.

All the entities falling under the definition of related parties, irrespective of whether the entity is a party to the particular transaction or not, shall abstain from voting to approve the relevant transaction.

Related Party Transactions not approved under this Policy

- i. If prior approval of the Audit Committee / Board for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee and the Board as the case may be, if required, within 3 months of entering in the Related Party Transaction.
- ii. In any case, where either the Audit Committee or Board determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Audit Committee / Board has authority to modify or waive any procedural requirements of this Policy, subject to the applicable laws.
- iii. In cases where a transaction is not ratified by the Committee or Board at a meeting within 03 months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Committee or Board and if the contract or arrangement is with a Party Related to any director/KMP, or is authorised by any other director/KMP, the director/KMP concerned shall indemnify the Company against any loss incurred by it.

Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.

Transactions Which Do Not Require Approval

Notwithstanding the abovementioned, the following Related Party Transactions shall not entail any approval:

- i. Any transaction concerning providing of compensation to a director/KMP or any other related party in accordance with the provisions of the Act in connection with their duties to the Company or any of its subsidiaries

or associates including the compensation of reasonable business and travel expenditures incurred in the ordinary course of business.

- ii. Any transaction in which the Related Party's interest arises solely from possession of securities issued by the Company and all holders of such securities obtain the same benefits pro rata as the Related Party or other pro rata interest of a Related Party included in a transaction involving generic interest of stakeholders involving one or more Related Parties as well as other parties.
- iii. CSR Contributions made by the Company through its implementing agencies- be it trust or foundation or any other form of charitable organization, whose name is explicitly mentioned in CSR Policy of the Company irrespective of the fact that such organization is a party related to the Company.
- iv. Transactions that have been approved by the Board under the specific provisions of the Act, e.g. inter-corporate deposits, borrowings, guarantee, loan, provision for security, investments with or in wholly owned subsidiaries or other Related Parties.
- v. Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off etc.
- vi. Facilities available or transaction entered into by the Company with all employees in general.
- vii. Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder, and does not require prior approval from the Audit Committee.

Reporting & Disclosures

- I. The Company Secretary shall place before the Audit Committee/Board of Directors, on annual basis, the record of Related Parties and the Designated Employees identified for reporting the Related Party Transactions.
- II. The Designated Employees responsible for entering into any contracts / arrangements on behalf of the Company, shall submit summary of all related party transactions including transactions approved under Omnibus Mechanism, alongwith information and documents as mentioned under Table A to the Company Secretary & CFO on quarterly basis.
- III. The Internal Auditor shall review the information and documents, as submitted by the Designated Employee and shall certify that the all the reported transactions are at arms' length and in line with this policy.
- IV. The Company Secretary & CFO, shall place the summary of all related party transactions, as reported by the Designated Employees alongwith the certificate of the Internal Auditor before the Audit Committee during the meetings to be held for consideration/approval of quarterly/half yearly/annual financials.
- V. The Company shall comply with all the reporting and disclosure requirements as may be prescribed from time to time in terms of applicable laws including the Act and SEBI LODR.

DOCUMENTATION AND DATABASE MAINTENANCE

- I. The Company Secretary and CFO shall at all times maintain a database of Company's Related Parties in Management Information System (MIS) & it shall be updated whenever necessary and shall be reviewed in each quarter. All the Designated Employees would have access to this database in ERP system.

- II. The Company shall maintain a register, physically or electronically, giving separately the particulars of all contracts or arrangements to which this policy applies and such register shall be placed for signing/taken note of before the meeting of the Board of directors.
- III. The Company shall maintain such register at the Corporate Office of the Company and provide extracts from such register to a member of the Company on his request, as per the applicable provisions of the Act.
- IV. Such register shall also be produced at the commencement of every Annual General Meeting of the Company and shall remain open and accessible during the continuation of the meeting to any person having the right to attend the meeting.
- V. Such register shall be preserved permanently and shall be kept in the custody of the Company Secretary.

Policy Review and Amendment

Though the Audit Committee or Board shall have all the right to amend this Policy, however, this Policy may stand amended because of any regulatory amendments, clarifications etc. in the applicable laws. The amendment shall be deemed to be effective from the date on which such regulatory amendments, clarifications etc. comes into force.

The adequacy of this Policy shall be reviewed and reassessed by the Committee once in every three years and appropriate recommendations shall be made to the Board to update the Policy accordingly.

Annexure-I

Definitions

- I. **“Act”** means the Companies Act, 2013 & the rules & regulations notified thereunder as amended from time to time.
- II. **“Applicable Law”** means the Companies Act, 2013 and the rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any modifications/re-enactments thereof) and includes any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.
- III. **“Arm’s Length Transaction”** means a transaction among two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- IV. **“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 purpose of this clause,—
 - (a) The expression “significant influence” means control of at least 20% of total voting power, or control of or participation in business decisions under an agreement;
 - (b) The expression “joint venture” means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;
 - (c) the expression “Total Voting Power” in relation to any matter means the total number of votes which may be cast in regard to the matter on a poll at a meeting of a company if all the members thereof or their proxies having right to vote on that matter are present at the meeting and cast their votes.
- V. **“Audit Committee or Audit and Risk Management Committee or Committee”** means Committee of Board of Directors of the Company constituted under provisions of SEBI LODR & the Act.
- VI. **“Board”** means Board of Directors of the Company.
- VII. **“Company”** means Transport Corporation of India Limited.
- VIII. **“Designated Employees”** means Divisional CEOs, Divisional CFOs, Departmental heads and such other employees who are responsible for entering into contracts/ arrangements/ agreements with entities for and on behalf of the Company, as may be identified and determined by the Company Secretary and CFO from time to time.
- IX. **“Key Managerial Personnel”** means:
 - i. Executive Directors;
 - ii. Chief Financial Officer;
 - iii. Company Secretary;
 - iv. Chief Executive Officer-TCI Freight, A Division of the Company;
 - v. Chief Executive Officer-TCI Supply Chain Solutions, A Division of the Company;
 - vi. Chief Executive Officer-TCI Seaways, A Division of the Company; &
 - vii. Such other officer as may be appointed by the Board of Directors of the Company or prescribed under the applicable statutory provisions/ regulations.

- X. **SEBI (LODR)** means SEBI (Listing Obligations & Disclosure) Requirements, 2015.
- XI. **“Omnibus Approval”** means a consolidated/standing approval given by the Committee in respect of transaction(s) which are repetitive in nature.
- XII. **“Ordinary Course of Business”** may include the usual transactions, customs and practices of the company, or transactions permitted by the Object Clause in the Memorandum of Association of the Company.
- XIII. **“Policy”** means Related Party Transaction Policy.
- XIV. **“Relative”** means relative as defined under the Act & SEBI LODR.
- XV. **“Related Party”** means and includes any person or entity:
- a. a related party as defined under sub section (76) of section 2 of the Act; or
 - b. which is a related party under applicable accounting standards; or
 - c. belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company shall be deemed to be Related Party.
- Provided that any person or entity belonging to the promoter or promoter group of the company and holding 20% or more of shareholding in the Company shall be deemed to be related party.
- XVI. **“Related Party Transaction”** means any transaction with a Related Party involving transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged and includes a single transaction or a group of transactions in a contract.
- XVII. **“Transaction”** with related party shall be construed to include a single transaction or a group of transactions.

Annexure-III

Guidelines on Determination of Basis of Arm's Length Price

These are guidelines to employees on applying the arm's length principle. The guidance on arm's length principle is applicable to all transactions, both local and cross-border, between the Company and its related parties.

Arm's Length Basis

The arm's length principle requires the transaction with a related party to be made at similar terms & price under comparable conditions and circumstances as a transaction with an unrelated party.

The application of arm's length principle involves the identification of comparable situation(s) or transaction(s) undertaken by unrelated parties against which the related party transaction or margin is to be benchmarked. This step commonly known as "comparability analysis". It entails an analysis of the similarities and differences in the conditions and characteristics that are found in the related party transaction with those in an unrelated party transaction.

The method as prescribed in Income Tax Act, 1961 as amended from time to time, may also be considered for determination of optimum Arm's Length price

Factors Affecting Comparability

a- Characteristics of Goods, Services or Intangible Properties under transactions

The specific characteristics of goods, services or intangible properties play a significant part in determining their values in the open market. For instance, a product with better quality and more features would fetch a higher selling price.

b- Analysis of Functions, Risks and Assets

Proposed pricing depends on functional characteristics of the assets used and risks assumed. For instance, an entity selling a product with warranty should earn a higher return compared to another entity selling the same product without the provision of warranty. Likewise, a product with a reputable branding is expected to fetch a higher return compared to that of a similar product without the branding.

c- Commercial and Economic Circumstances

Prices may vary across different markets even for transactions involving the same property or services. In order to make meaningful comparisons of prices or margins between entities/transactions, the markets and economic conditions in which the entities operate or where the transactions are undertaken should be comparable.

d- Government policies and regulations

Government policies and regulations such as price controls etc. may have an impact on prices and margins. Hence, the effects of these regulations should also be examined as part of the examination for comparability of the market and economic conditions.

e- Commercial parlance, customs and trade practices

Custom and trade practices in respect of particular transaction(s) are important in determining arm's length basis. For example, interest free security deposits given in property lease transactions.

Concluding basis of Arm's length price

Based on comprehensive assessment of outcome of comparability analysis, significant similarities and differences between the transactions/entities in question and those to be benchmarked against, adjustments could be made for material differences identified.