

POLICY ON RELATED PARTY TRANSACTIONS

1) SCOPE AND PURPOSE OF THE POLICY

Related Party Transactions (“RPTs”) 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 read with the rules framed thereunder (“Act”) and under and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any modification(s) / amendment(s) / re-enactment(s) thereof (“Listing Regulations”), Tata Communications Limited (“TCL” or “the Company”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, the Listing Regulations require a company to formulate a policy on materiality of related party transactions and dealing with related party transactions including clear threshold limits duly approved by the Board of Directors of the Company.

In light of the above, TCL has framed this Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. The Board of Directors shall review and update the Policy, at least once in every three years.

2) ABOUT THE COMPANY

The Company offers international and national voice and data transmission services, selling and leasing of bandwidth on undersea cable systems, internet dial up and broadband services, and other value-added services comprising telepresence, managed hosting, mobile global roaming and signaling services, transponder lease, television uplinking and other services.

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 and Listing Regulations.

4) DEFINITIONS

Related Party as per Listing Regulations

As per Regulation 2(zb), “related party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards.

Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s).

Related Party as per the Act

As per section 2(76), related party with reference to a company, means-

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

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

- viii. any body corporate which is—
 - a. a holding, subsidiary or an associate company of such company;
 - b. a subsidiary of a holding company to which it is also a subsidiary; or
 - c. an investing company or the venturer of a company;

Explanation – For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

- ix. such other person as may be prescribed

Relative:

As per section 2(77) of the Act, relative with reference to any person, 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 in such manner as may be prescribed

Subsidiary:

As per Section 2 (87) of the Act, subsidiary company or subsidiary, in relation to any other company (that is to say the holding company), means a company in which the holding company-

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation - For the purposes of this clause, -

- a. a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- b. the composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- c. the expression "company" includes any body corporate;
- d. "layer" in relation to a holding company means its subsidiary or subsidiaries;

As per section 2 (51) of the Act, Key Managerial Personnel means:

- i. the Chief Executive Officer or the managing director or the manager;
- ii. the company secretary;
- iii. the whole-time director;
- iv. the Chief Financial Officer;
- v. such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- vi. such other officer as may be prescribed.

Chief Executive Officer under section 2(18) means an officer of a company, who has been designated as such by it.

Chief Financial Officer under section 2 (19) means a person appointed as Chief Financial Officer of the company.

Managing Director under section 2(54) means a director who, by virtue of the articles of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called.

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.

Ordinary Course of Business means a transaction which is carried in the normal course of business envisaged in accordance of Memorandum of Association (MoA) and Articles of Association (AoA) as amended from time to time or historical practice with a pattern of frequency or common commercial practice or meets any other parameters/criteria as decided by the Board or Audit Committee.

Definition of Related Party Transaction as per Listing Regulations

A related party transaction means a transfer of resources, services or obligations between a listed entity and a related party, 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.

Material Related Party Transaction as per Listing Regulations

A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

5) MATERIALITY THRESHOLDS

The Listing Regulations require a company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

The Company has fixed the materiality thresholds at 10% of the annual consolidated turnover of the Company as per last audited financial statements. Materiality thresholds, if defined by the Act or Listing Regulations particularly for any type/(s) of related party transactions which are different from the materiality threshold fixed by the Company, then material thresholds as defined by such Act or Listing Regulations shall prevail for such type/(s) of related party transactions.

Rule 15 of the Act also specifies the materiality limit for specific transactions that require shareholder's approval. The same are detailed in clause 5 (c).

6) MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

All Related Party Transactions should be reported to the Audit Committee for approval. When required, the Audit Committee shall further refer such transactions to the Board of Directors or shareholders, in accordance with this Policy.

a) Identification of related parties

The Company has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the rules framed thereunder and the Listing Regulations.

b) Identification of related party transactions

The Company has formulated an automated process for identification of related party transactions in accordance with Section 188 of the Act and the Listing Regulations. The Company has also formulated a process for determining whether the transaction is in the ordinary course of business and at arm's length basis. For this purpose, the Company seeks external professional opinion, as necessary.

c) Procedure for approval of related party transactions

(i) Approval of the Audit Committee

Companies Act 2013 & SEBI Listing Regulations requirements

All transactions with related parties or any subsequent modifications of such transactions require prior approval of the Audit Committee.

The Audit Committee may grant omnibus approval for related party transactions proposed to be entered into by the Company, subject to the conditions and in the manner as prescribed under the Act and the Listing Regulations.

(ii) Approval of the Board of Directors

Section 188 of the Act specifies certain kinds of transactions which, if they are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval.

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 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 meeting the materiality thresholds laid down Clause 4 of this Policy, which are intended to be placed before the shareholders for approval.

(iii) Approval of the Shareholders of the Company

Companies Act 2013 requirements

In case the transactions specified under Section 188 cross the thresholds as prescribed under the Act, in addition to approval of the Board, such transactions will also be required to be approved by the shareholders of the Company vide a resolution, on which no member of the Company shall vote to approve the contract or arrangement if such member is a related party.

However, such resolution is not required to be passed for 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.

The thresholds prescribed in the Act for obtaining approval of shareholders:

- Sale, purchase or supply of any goods or materials amounts to ten percent or more of turnover or rupees one hundred crore, whichever is lower;
- Sale or otherwise disposal of or purchase of property of any kind, amounting to ten percent or more of net worth or rupees one hundred crore, whichever is lower;
- Leasing of property of any kind amounting to ten percent or more of net worth or ten percent or more of turnover or rupees one hundred crore, whichever is lower;
- Availing or rendering of any services amounting to ten percent or more of turnover or rupees 50 crore, whichever is lower;

The aforesaid limits apply to a transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

- Appointment of any related party to any office or place of profit in company, subsidiary or associate where the monthly remuneration exceeding rupees two and half lakh;
- Remuneration for underwriting subscription of any securities or derivatives thereof, of the Company exceeding one percent of net worth.

These thresholds have to be evaluated for each category of transactions enlisted above for each related party.

Listing Regulations requirements

All the transactions with related parties exceeding the materiality thresholds, laid down in Clause 4 of the Policy are placed before the shareholders for approval.

For this purpose, all entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

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 related party transactions meeting the materiality thresholds (laid down in Clause 4 of the Policy above) on a quarterly basis to the stock exchanges.

The Company shall, within 30 days from the date of publication of its standalone and consolidated financial results for the half year, submit disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

This Policy shall be published on the Company's website www.tatacommunications.com and web link of the policy shall be disclosed in the Company's Annual Report.

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 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.

In case of any clarifications required with respect to this policy, kindly contact Mr. Manish Sansi, Company Secretary at manish.sansi@tatacommunications.com.

29 March 2019