

TEJAS NETWORKS LIMITED

Corporate Identity Number (CIN): U72900KA2000PLC026980
Registered Office: J P Software Park, Plot No 25, Sy. No 13, 14, 17 & 18
Konnapana Agrahara Village, Begur Hobli, Bangalore – 560100
Tel. No.: 080 4179 4600, Fax: +91 80 2852 0201
Email: corporate@tejasnetworks.com
Website: www.tejasnetworks.com

**POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS
AND
ON DEALING WITH RELATED PARTY TRANSACTIONS**

(Pursuant to Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015) (Hereinafter called as "LODR")

Adopted and amended by the Board of Directors on April 21, 2023

The object of this Policy is to determine the 'materiality' of Related Party Transaction (*as defined hereinafter*) and to provide a governance framework thereof. The Securities and Exchange Board of India ("**SEBI**") has mandated every listed company to formulate a Policy on materiality of Related Party Transactions and on dealing with Related Party Transactions. Accordingly, the Company has formulated this Policy which regulates all transactions between the Company and its Related Parties (*as defined hereinafter*).

The Audit Committee (*as defined hereinafter*) will review the Policy periodically and may amend the same from time to time and propose the same to the Board for approval.

1. Definitions

"**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.

"**Audit Committee**" or "**Committee**" means audit committee constituted by the Board of Directors of the Company, from time to time, under the provisions of LODR and the Companies Act, 2013.

"**Board of Director**" or "**Board**" means the board of directors of Tejas Networks Limited, as constituted from time to time.

"**Key Managerial Personnel**" means key managerial personnel as defined under Section 2(51) of the Companies Act, 2013.

"**Ordinary Course of Business** 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 commercial practice, or
- meets any other parameters/criteria as decided by the Board/Audit Committee.

"**Relative**" in relation to a related party shall have the same meaning assigned to in Section 2(77) of the Act and rules prescribed there under.

“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 Companies Act, 2013 and any rules or amendments made thereunder

“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 the clarification issued by the Ministry of the Corporate Affairs, Government of India and SEBI and other Authorities from time to time on the interpretation of the term “Related Party”.

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

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation.

2. Governance Framework

(i) 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 Companies Act, 2013 read with the Rules framed there under and Regulation 2(1) (zb) of the SEBI Listing Regulations.

(ii) Identification of related party transactions

The Company has formulated guidelines for identification of related party transactions in accordance with Section 188 of the Companies Act, 2013 and Regulation 2(1) (zc) of the SEBI Listing Requirements. The Company has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm’s length basis and for this purpose, the Company may seek external professional opinion, if necessary

2.1 Approval of Audit Committee

a. All Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee of the listed entity.

“Provided further that:

- (i) the audit committee of a listed entity shall define “material modifications” and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions;
- (ii) 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 ten per cent of the annual consolidated turnover, as per the last audited financial statements of the listed entity;
- (iii) with effect from April 1, 2023, 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 ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;
- (iv) prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (d) above, the prior approval of the audit committee of the listed subsidiary shall suffice.”/

b. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to a maximum limit up to 10% of annual consolidated turnover of the Company as per the last audited financial statements of the Company per party and also subject to such criteria / conditions as mentioned under LODR.

c. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

d. The Audit Committee shall review on a quarterly basis, the details of Related Party Transactions entered by the Company pursuant to the omnibus approvals.

e. Any member of the Audit Committee interested in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

f. The requirements set forth in sub-clauses (a) to (e) above will not be applicable to Related Party Transactions executed by the Company with its wholly owned subsidiaries and transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.”

2.2 Material Related Party Transactions

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

The materiality thresholds are as under

- (i) In case of Transaction involving payments made to a Related Party with respect to brand usage or royalty, if it exceeds two percent (2%) of the annual consolidated turnover of the Company as per its last audited financial statements.
- (ii) 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 rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.”

2.3. Subsequent Material Modifications” with respect to any approved related party transaction shall mean and include

- a. Material change in the terms and conditions of the contract, extension of tenure, renewal of the contract, waiver, subordination, variation in any payment rights, security interest, novation of parties, addition of parties as agreed at the time of approval of the Related Party Transaction
- b. Material change in the nature of the transaction including which done with the mutual consent of the both the parties.
- c. Such other material modifications as may be approved by the Audit Committee from time to time

Whereas the word “Material” shall mean any modification/change (individually or taken together with previous modifications/change) in the existing Transaction having effect of increase or decrease, which exceeds 10% of value of Transaction which is proposed to be modified or Rs. 10 crore whichever is higher.

Provided that if any future modification or alteration is already approved at the time of approving original transaction by Audit Committee and/ or Shareholders, such modification or alteration shall not be treated as material modification.

2.4 Board Approval

Any Related Party Transactions which are not in the ordinary course or not Arm's Length Transactions will require prior approval of the Board. The Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

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 the Policy, which are intended to be placed before the shareholders for approval

2.5 Shareholder Approval

Any Related Party Transactions which are not in the ordinary course or not Arm's Length Transactions and exceeding the limit set forth in Section 188 of the Companies Act, 2013 and the rules framed thereunder, including any amendments or material modifications thereto, shall require prior approval of the shareholders in accordance with the Act. Any shareholder who is a Related Party in the context of the contract or arrangement for which the resolution is passed, will not vote on such resolution.

"Provided that prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if Regulation 23 and sub-regulation (2) of Regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice."

2.6 Reporting of Related Party Transactions

The listed entity shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website:

Provided further that the listed entity shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results:

Provided further that the listed entity shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023."

2.7 Related Party Transactions not previously approved

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified in accordance with this Policy, the transaction shall be placed as promptly as practicable before the Committee or the Board or the Shareholders, as may be required in accordance with this Policy for review and ratification.

The Committee, the Board, or the Shareholders, as the case maybe, shall consider all relevant facts and circumstances with respect to such Related Party Transactions and shall evaluate all options available to the Company, including but not limited to ratification, revision or termination of such transaction, and the Company shall take such action as the Committee or the Board may deem appropriate under the circumstances.

3. Policy review

This Policy shall be subject to review and changes as may be deemed necessary by the Board of Directors and to comply with any regulatory requirements.

4. Miscellaneous

This policy was originally adopted by the Board of Directors on October 26, 2016, amended on August 26, 2017 and on April 22, 2022.

5. Limitation and Amendment

In the event of any conflict between the provisions of this Policy and of the Act or Listing Agreement or any other statutory enactments, rules, the provisions of such Act or Listing Agreement or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Agreement, Act and/or applicable laws in this regard shall automatically apply to this Policy.