

## POLICY ON RELATED PARTY TRANSACTIONS

### 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 the 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 there under and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI Listing Regulations**”), as amended from time to time, Trent Limited (“**Company**”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23(1) of the SEBI Listing Regulations requires a company to formulate a policy on the materiality of related party transactions and dealing with related party transactions.

Considering the above, the Company has framed this Policy on Related Party Transactions (“**Policy**”). This Policy has been adopted/ revised by the Board of Directors of the Company based on the recommendations of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy as and when required and at least once in every three years, subject to the approval of the Board.

In case of any inconsistency in the Policy and the SEBI Listing Regulations and / or Act, as may be amended from time to time, the provisions of the SEBI Listing Regulations and / or Act would prevail.

### 2. 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 involving related parties based on the Act, the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

### 3. 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” means the Committee of the Board formed under Section 177 of the Act and Regulation 18 of the SEBI Listing Regulations.

“Material modifications” to Related Party Transactions means and includes any variation having an impact on the monetary limits already approved by the Audit Committee or Shareholders, as the case may be, exceeding 20% of transactions, in each case, over and above the approved limits.

“Company” means Trent Limited.

“Ordinary course of business” may include that transaction which is permitted by the Object Clause in the Memorandum of Association of the Company, or which is connected with the normal business of the Company or which is a historic/common commercial practice or the income earned of which is assessed a business income or expense incurred which is assessed as a business expense.

“Related Party” means an individual, entity, firm, body corporate or person as defined in Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI Listing Regulations.

“Related Party Transactions” shall mean such transactions as specific under Section 188 of the Act or rules made thereunder or Regulation 2(1)(zc) of the SEBI Listing Regulations including any amendment or modification thereof, as may be applicable.

“Subsidiary” means a company as defined in Section 2(87) of the Act.

Any other term not defined herein shall have the same meaning as defined in the Act, the SEBI Listing Regulations, Securities Contract Regulation Act or any other applicable law or regulation.

#### **4. MATERIALITY THRESHOLDS**

Regulation 23 of the SEBI Listing Regulations requires a Company to provide materiality thresholds for transactions beyond which the shareholders approval will be required.

A transaction involving the Company and 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 ₹ 1,000 crore or 10% of the annual consolidated turnover of the Company as per last audited financial statements of the Company, whichever is lower, for the purpose of Regulation 23(4) of the SEBI Listing Regulations.

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 5% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company for the purpose of Regulation 23(4) of the SEBI Listing Regulations.

#### **5. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS**

##### **a) Identification of related parties**

The Company has adopted a process for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Regulation 2(1)(zb) of the SEBI Listing Regulations.

##### **b) Identification of related party transactions**

The Company has adopted a process for identification of related party transactions in accordance with Section 188 of the Act and Regulations 2(1)(zc) and 23 of the SEBI Listing Regulations. The Company has adopted a process for determining whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company seeks external professional opinion, if necessary.

## c) Procedure for approval of related party transactions

### ➤ Approval of the Audit Committee

All related party transactions and subsequent material modifications shall require prior approval of the Audit Committee and Independent Directors who are members of the Audit Committee, as prescribed under the Act and / or the SEBI Listing Regulations.

A related party transaction to which the subsidiary of a Company is a party, but the Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year:

- exceeds 10% of the annual consolidated turnover, as per the last audited financial statements of the Company; or
- exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary

### Criteria for approval

While assessing a proposal put up before the Audit Committee and / or the Board for approval, the Audit Committee and / or the Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed - including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
- Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
  - market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
  - third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
  - management assessment of pricing terms and business justification for the proposed transaction; and
  - comparative analysis, if any, of other such transactions entered into by the Company.

### Omnibus approval for transactions which are repetitive in nature

The Company may obtain omnibus approval for related party transactions of the Company **or its subsidiary**, from the Audit Committee and Independent Directors who are members of the Audit Committee, as prescribed under the Act and / or the SEBI Listing Regulations subject to compliances with the following conditions:

- The Audit Committee shall lay down the criteria for granting omnibus approval in line with the Policy and such approval shall be applicable in respect of repetitive transactions;
- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- The omnibus approval shall provide details of (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any (for ex: +/- 5%) and (iii) such other conditions as the Audit Committee may deem fit.

#### Unforeseen transactions

In the case of related party transactions which cannot be foreseen and where the above details are not available, the Audit Committee may grant omnibus approval provided the value does not exceed ₹ 1 crore per transaction.

#### Review of transactions

The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company **or its subsidiary** pursuant to each of the omnibus approvals given. Such omnibus approval shall be valid for 1 year and shall require fresh approvals after the expiry of one year.

#### Ratification of transactions

The Audit Committee and Independent Directors who are members of the Audit Committee, as prescribed under the Act and / or the SEBI Listing Regulations may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, subject to the following conditions:

- the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees ₹ 1 crore;
- the transaction is not material in terms of Clause 4 of this Policy;
- rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee at the time of seeking ratification;
- the details of ratification shall be disclosed along with the disclosures of related party transactions to the stock exchange as provided in Clause 9 of this Policy;
- any other condition as specified by the Audit Committee:

Provided that failure to seek ratification of the Audit Committee shall render the transaction voidable at the option of the Audit Committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it.

#### ➤ **Approval of the Board of Directors of the Company**

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 and 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 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 the Audit Committee's view requires Board approval;
- Transactions which are viewed to be in the ordinary course of business and at arm's length basis by Management, but which are also tabled to the Board for its approval from an improved governance perspective; and
- Transactions meeting the materiality thresholds laid down in Clause 4 of the Policy, which are intended to be placed before the shareholders for approval.

#### ➤ **Approval of the Shareholders of the Company**

All the transactions of the Company with related parties meeting the materiality thresholds, laid down in Clause 4 of the Policy and subsequent material modifications thereto, are placed before the shareholders for approval.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business and at arm's length basis; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, are placed before the shareholders for its approval.

## **6. EXEMPTIONS**

As per Section 177 of the Act, the requirement for seeking Audit Committee approval shall not be applicable to transactions, other than a transaction covered under Section 188 of the Act, between the Company and its wholly owned subsidiary/ies.

Further, as per the SEBI Listing Regulations, the requirement for seeking Audit Committee and shareholders' approval shall not be applicable to:

- a) transactions between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- b) transactions entered into between 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.
- c) transactions with related parties such as corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding viz. payment of dividend, subdivision or consolidation of securities, issuance of securities by way of a rights issue or a bonus issue and buy-back of securities
- d) remuneration and sitting fees paid by the Company or its subsidiary to the directors, key managerial personnel or senior management except who is part of promoter or promoter group, provided that the same are not material in terms of Clause 4 of the Policy.

## **7. DISCLOSURES**

The Company shall disclose in the Annual Report, the details of transactions entered into with the related parties, as may required under the Act/ the SEBI Listing Regulations / Accounting Standards.

Additionally, the Company shall also provide details of all related party transactions meeting the materiality threshold (laid down in Clause 4 of the Policy above) on a quarterly basis to the stock exchanges.

The Company shall also submit a disclosure to the stock exchange on related party transactions every six monthly on the date of publication of its standalone and consolidated financial results, in the format as specified by the SEBI from time to time and publish the same on its website.

## **8. RELATED PARTY TRANSACTIONS NOT APPROVED/RATIFIED 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 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 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.

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Effective from 1 <sup>st</sup> April 2019 Amended on 7 <sup>th</sup> November 2019 Amended on 1 <sup>st</sup> January 2022 Amended on 1 <sup>st</sup> April 2022 Amended on 7 <sup>th</sup> February 2024 Amended on 6 <sup>th</sup> February 2025
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