

Eicher Motors Limited

Policy on materiality of and dealing with Related Party Transactions

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I) Objective:

Related Party Transactions can present conflicts of interest which may be against the best interest of the company and its shareholders. Provisions of the Companies Act, 2013 (“Act”) read with the Rules framed thereunder and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, (erstwhile Listing Agreement), as amended from time to time, (“SEBI (LODR) Regulations, 2015”), provide for approval of certain related parties transactions by Audit Committee/ Board/ Shareholders.

SEBI (LODR) Regulations, 2015, further requires a Company to formulate a policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions. Accordingly, Eicher Motors Limited (“EML”) has framed this Policy on Related Party Transactions (“Policy”).

The objective of this Policy is to set out:

- (a) the materiality thresholds for related party transactions & subsequent modifications thereof and
- (b) the manner of approval of related party transactions pursuant to the provisions of the Act, SEBI (LODR) Regulations, 2015 and any other laws and regulations as may be applicable to the Company.

II) Definitions:

“Audit Committee” means the audit committee constituted by the Board of Directors of the Company in accordance with applicable law, including the SEBI (LODR) Regulations, 2015 and the Act.

“Board” means the Board of Directors of Eicher Motors Limited.

“Material Related Party Transaction” means a transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions with a Related Party during a financial year, exceeds rupees one thousand crore or ten percent of the consolidated annual turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Provided that a transaction related to brand usage or royalty shall be considered material if the transaction/transactions to be entered into individually or taken together with previous transactions with a Related Party during a financial year, exceed five percent of the consolidated annual turnover of the Company as per the last audited financial statements of the Company.

“Related Party” in relation to the Company means a party related with the Company in any of the ways as are laid down in section 2(76) of the Act, SEBI (LODR) Regulations, 2015 or the relevant Indian accounting standards, as amended from time to time.

“Related Party Transaction” in relation to the Company means a transaction with a Related Party under the relevant provisions of the Act, SEBI (LODR) Regulations, 2015 or any relevant Indian accounting standards, as amended from time to time.

“Material Modifications of Related Party Transaction” in relation to the Company means and include any modification to an existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.

“Subsidiary” means a subsidiary as defined under sub-section (87) of section 2 of the Companies Act, 2013.

Any words used in this policy but not defined herein shall have the same meaning ascribed to it in the Act or Rules made thereunder, SEBI Act or Rules and Regulations made thereunder, SEBI (LODR) Regulations, 2015, Indian Accounting Standards or any other relevant legislation / law applicable to the Company.

In case of any dispute or difference upon the meaning/interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final. In interpreting such term/ provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.

III) Manner of Dealing and Approval

a) Approval of Audit Committee:

Subject to exceptions provided under SEBI (LODR) Regulations, 2015 and the Act, all Related Party Transactions and subsequent material modifications thereof shall require prior approval of the Audit Committee of the Company.

A Related Party Transaction to which the unlisted subsidiary (ies) of the 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 ten per cent of the standalone annual turnover of the subsidiary as per the last audited financial statements of the subsidiary.

The exemptions provided under Companies Act, 2013 and SEBI (LODR) Regulations, 2015 from approval/reporting of certain related party transactions shall apply to the Company.

The members of the audit committee, who are independent directors, 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:

- (i) 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 one crore;
- (ii) the transaction is not material in terms of the provisions of SEBI (LODR) Regulations, 2015;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of SEBI (LODR) Regulations, 2015;
- (v) 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.

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiary subject to the conditions specified under SEBI (LODR) Regulations, 2015 and the Act.

For related party transactions rejected by the Audit Committee, the Committee's rationale/ recommendations shall be put forth to the Board, if required under the Act or SEBI (LODR) Regulations, 2015.

b) Approval of Board:

All transactions specified under Section 188 of the Act shall require approval of the Board of Directors. However, no approval of the Board shall be required for transactions with related parties if such transactions are entered into by the Company in its ordinary course of business and on arm's length basis.

Approval of the Board shall also be required for Related Party Transactions which are intended to be placed before the shareholders for prior approval and such other transactions as referred to the Board by Audit Committee.

c) Approval of Shareholders:

Subject to the exceptions provided under SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, all material Related Party Transactions and subsequent material modifications thereof shall require prior approval of the shareholders of the Company. No related party with respect to the Company shall vote to approve such resolutions.

Transactions with related parties which are not in the ordinary course of business or at arm's length basis and exceeds the ceiling provided under rule 15 of Companies (Meeting of Board and its Powers) Rules, 2014 (as amended) read with Section 188 of the Act shall require prior approval of shareholders of the Company subject to exceptions provided under the Act.

Whenever threshold for obtaining approval of the Audit Committee, Board or the Shareholders changes with amendment in the Act or SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 or any relaxation is granted in terms of applicability or effective date, then, irrespective of what is stated above, said amended threshold or relaxations become applicable to the Company and the Audit Committee shall be informed.

IV) Disclosures

The Company shall make the necessary disclosures regarding this policy and Related Party Transactions in the annual report, as required pursuant to the Act, SEBI (LODR) Regulations, 2015 and Indian Accounting Standards.

V) Amendment

The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy.