

POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS

1. TITLE

This Policy shall be called ‘Policy on materiality of and dealing with Related Party Transactions’.

This Policy come into effect from 29th April, 2014 has been revised in May, 2019 to align with the provisions of the Companies Act 2013 and Rules made thereunder and Securities and Exchange Board of India (Listing Obligation and Disclosure Regulations).

2. OBJECTIVE:

Mahindra CIE Automotive Limited (hereinafter referred to as “the Company”) is mainly engaged in manufacturing of components used in automotive industry. As a part of the business activity, the Company deals with entities which are related parties. The Company recognizes that Related Party Transactions (as defined below) may have potential or actual conflicts of interest and may raise questions whether such transactions are consistent with the Company’s and its shareholders’ best interests and in compliance with the provisions of the Companies Act, 2013 and Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Board of Directors (the “Board”) of the Company has adopted this Policy upon the recommendation of the Audit Committee and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions (“Policy”) in compliance with the requirements of Section 188 of the Companies Act, 2013 and Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

3. APPLICABILITY AND LEGAL FRAMEWORK

The Companies Act, 2013 (“the Act”) places a lot of emphasis on Related Party Transactions. Provisions of the Act along with the relevant Rules governing Related Party Transactions have come into effect from April 1, 2014.

Section 177 of the Act deals with approval of transaction, or any subsequent modification of transactions, of the Company with related parties by the Audit Committee including omnibus approval of the Related Party transaction of repetitive nature.

Section 188 of the Act covers certain categories of the related party transaction specified in the Section. If such related party transactions are not in the ordinary course of business and / or not on an Arms’ length basis, the transactions require prior approval of the Board and if such transactions crosses the threshold limits prescribed under the Act, then it also requires the approval of shareholders of the Company by ordinary resolution and the Related Parties with whom transactions are being entered cannot vote on such resolution.

It also requires specified related party transactions to be disclosed in the Board's Report along with the justification for entering into such transactions.

4. DEFINITIONS:

- i. **“Act”** means the Companies Act, 2013 and Rules made thereunder as may be amended from time to time
- ii. **“Arm's length transaction”** means a transaction between two Related Parties that is conducted as if they were unrelated..
- iii. **“Audit Committee”** or **“Committee”** means the Audit Committee constituted by the Board of Directors of the Company in accordance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Companies Act, 2013.
- iv. **“Board”** means the Board of Directors of Mahindra CIE Automotive Limited.
- v. **“Company”** means Mahindra CIE Automotive Limited.
- vi. **“Listing Regulations”** means the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as may be amended from time to time
- vii. **“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 ten percent of the consolidated annual turnover of the Company as per the last audited financial statements of the Company.

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, exceed two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- viii. **“Ordinary course of business”** would include every transaction or act done by the Company in conducting its business or affairs which is useful or helpful to carry on the business and conduct of affairs.
- ix. **“Policy”** **“this Policy”** means the 'Policy on materiality of and dealing with Related Party Transactions', as amended from time to time.
- x. **“Related Party”** means a related party as defined under the Companies Act, 2013 or rules made thereunder and Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

- xii. **“Relative”** means a relative as defined under the Companies Act, 2013.
- xiii. **“LODR Regulations”** means Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
- xiv. **“Transaction”** with a related party shall be construed to include a single transaction or a group of transactions.

All other words or expressions used but not defined in this Policy but defined in the Companies Act, 2013, Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Securities Contracts (Regulation) Act, 1956 and / or the Rules made thereunder shall have the same meaning as respectively assigned to them in such Acts, Rules or Regulations or any statutory modification or re-enactment thereof.

5. IDENTIFICATION OF RELATED PARTIES & TRANSACTIONS:

I. Disclosure by the Directors

Every Director of the Company shall provide to the Board of Directors of the Company a declaration containing, inter alia, the following information on an annual basis and whenever there is a change in the information so provided:

1. Names and Permanent Account Number (PAN) or any other identifier authorised by Law (as may be applicable) of his / her Relatives;
2. Name and Permanent Account Number (PAN) or any other identifier authorised by Law (as may be applicable) the Partnership firms in which the Director or his / her Relative is a partner;
3. Details of Private Companies in which the Director or his / her Relative is a member or a Director along-with Corporate Identification Number (CIN) of such companies;
4. Public Companies in which the Director is a Director and holds along with his/her Relatives more than 2% of paid up share capital of such companies;
5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with the advice, directions or instructions of the Director except where the advice, directions or instructions is given in the Director’s professional capacity;
6. Persons on whose advice, directions or instructions, the Director is accustomed to act, except where such person gives advice, directions or instructions in his or her professional capacity);
7. Details of association of individuals in which the Director is a member;

8. Details of entities in which the Director is the owner or member (not covered above);
9. Details of entities on which the Director exercise control/ joint control or significant influence

II. Disclosure by Key Managerial Personnel (KMP)

Every Key Managerial Personnel of the Company will be responsible for providing a declaration containing the following information to the Board of Directors of the Company on an annual basis and whenever there is a change in the information so provided:

1. Names of his / her Relatives along-with Permanent Account Number (PAN) or any other identifier authorised by Law (as may be applicable)

III. Other Related Parties

Besides the above, the Company will also identify other Related Parties as required under the Act and the LODR Regulations.

IV. Notice of any potential Related Party Transaction

Every Director, Key Managerial Personnel, Divisional Heads, officers authorized to enter into contracts/ arrangements for and on behalf of the Company shall give a prior Notice to the Company Secretary of any Related Party Transaction proposed to be entered. They shall provide additional information about the transaction that the Board or a Committee of the Board may request, for being placed before the Board or Committee.

Any transaction of the Company with a Related Party will be regulated as per this Policy.

6. APPROVAL OF RELATED PARTY TRANSACTIONS:

I. Approval of the Audit Committee

All Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation or any other manner as provided by the Act or Rules made thereunder.

Where the Company enters into a contract with a related party, which stipulates details of every transaction such as nature of the transactions to be entered into, period of transaction, contract price or methodology of price determination, maximum amount of transactions, credit terms etc., prior approval to the contract once given by the Audit Committee would suffice unless the contract is proposed to be modified. The Audit Committee would subsequently note the transactions that are entered into pursuant to such contract.

The Audit Committee may grant omnibus approval for the Related Party Transaction proposed to be entered into, which are in repetitive in nature, subject to the following conditions:

- a. The Audit Committee shall specify the criteria for granting omnibus approval in line with this Policy;
- b. the criteria for granting omnibus approval shall include the following: -
 - i. maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - ii. the maximum value per transaction which can be allowed; extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - iii. transactions which cannot be subject to the omnibus approval by the Audit Committee.
- c. Following factors shall be considered while specifying the criteria for making omnibus approval:
 - i. repetitiveness of the transactions (in past or in future);
 - ii. Justification for the need of omnibus approval.
- d. The Audit Committee shall satisfy itself of the need for such omnibus approval and that such approval is in the interest of the Company;
- e. Such omnibus approval shall specify the following:
 - i. Name(s) of the Related Party;
 - ii. Nature of the transaction;
 - iii. Period of transaction;
 - iv. Maximum amount of transaction that can be entered into;
 - v. The indicative base price / current contracted price and the formula for variation in the price, if any, and;
 - vi. Such other conditions as the Audit Committee may deem fit.

In cases where the need for Related Party Transaction cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees One Crore per transaction.

Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year. However, the Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.

A member of the Audit Committee who has a potential interest in any Related Party Transaction will not remain present at the meeting when such Related Party Transaction is considered by the Audit Committee.

II. Approval of the Board of Directors

Approval of the Board of Directors of the Company shall be required for the following Transactions with a Related Party if such transaction is not in Ordinary Course of Business and/or at an Arms Length basis:

- a. the transactions, as listed below, which are specified in Section 188 of the Act:
 - i. sale, purchase or supply of any goods or materials;
 - ii. selling or otherwise disposing of, or buying, property of any kind;
 - iii. leasing of property of any kind;
 - iv. availing or rendering of any services;
 - v. appointment of any agent for purchase or sale of goods, materials, services or property;
 - vi. such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
 - vii. underwriting the subscription of any securities or derivatives thereof, of the company:

- b. Related Party Transactions as may be referred to the Board by the Audit Committee.

Where any director is interested in any Related Party Transaction, such director will not remain present at the meeting when such Related Party Transaction is considered.

III. Approval of the Related Party Transactions by the members of the Company

a. Approval of Material Related Party transaction in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

All the Material Related Party Transactions (as defined in clause 4(vii) of this policy) shall require approval of shareholders of the Company (unless it is exempted pursuant to the provisions of LODR Regulations) and no Related Party, whether such Related Party is a party to the particular transaction or not, shall vote to approve the same.

b. Approval of transactions covered by Section 188 of the Act

The Transactions with Related Parties as mentioned in Section 188 of the Act which are not in the ordinary course of business and / or not at an Arms' length basis (as mentioned in sub clause 6(II)(a) of the policy) and which crosses the threshold limits as mentioned below shall require approval of the shareholders of the Company:

- i. sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover of the Company or rupees one hundred crore, whichever is lower, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;

- ii. selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the Company or rupees one hundred crore, whichever is lower, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;

- iii. leasing of property any kind amounting to ten percent or more of the net worth of company or ten per cent or more of turnover of the Company or rupees one hundred crore, whichever is lower, as mentioned in clause (c) of sub-section (1) of section 188;
- iv. availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company or rupees fifty crore, whichever is lower as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188;
- v. appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and a half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188.
- vi. remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of section 188

The Related Parties concerned shall not vote on the relevant resolutions.

IV. Information to be provided to Board / Audit Committee while seeking approval

To review a Related Party Transaction, the Board/ Audit Committee will be provided with all the relevant information pertaining to the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and any other matter, as may be required. In determining whether approval needs to be accorded to a Related Party Transaction, the Board/ Audit Committee will consider the following factors:

- a. Whether the terms of the Related Party Transaction are fair to the Company and would apply on the same basis as if the transaction did not involve a Related Party;
- b. 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;
- c. Whether the Related Party Transaction would impair the independence of an otherwise Independent Director;
- d. Whether the Related Party Transaction would present a conflict of interest for any Director, or KMP of the Company, taking into account the size of the transaction, the overall interest of the Director, KMP or other 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/ Audit Committee deem fit to consider.

In case the shareholders decide not to approve a Related Party Transaction, the Board/ Audit Committee, 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 to shareholders for approval.

DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS

Every Related Party Transaction / contracts or arrangements that are: - i. material or ii. not at arm's length basis and/ or ordinary course of business, shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction as per the requirement of the Act.

The various business heads, strategic sourcing department, department heads or any person authorized to enter into any transaction on behalf of the company shall not undertake any transaction with related party unless they confirm that the transaction has prior approval of the Audit Committee and that the transaction is both in the ordinary course of business and at Arm's length basis. Any transaction not meeting the required criteria mentioned above should be brought to the notice of the Secretarial Department, Accounts Department and the CFO for seeking the requisite approvals.

AMENDMENTS

The Board may, subject to applicable laws, amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy, based on the recommendation(s) of Audit Committee.

The Board may also establish further rules and procedures, from time to time, to give effect to this Policy.

SCOPE LIMITATION

In the event of any conflict between the provisions of this Policy and of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015/ Companies Act, 2013 or any other statutory enactments, rules, the provisions of such SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015/ Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.

DISSEMINATION OF POLICY

This Policy shall be disseminated to all functional and operational heads and other concerned persons of the Company and shall be hosted on the intra-net and website of the Company and web link thereto shall be provided in the annual report of the Company.
