

# *Eicher Motors Limited*

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## **Policy on materiality of and dealing with Related Party Transactions**

## Eicher Motors Limited

### Policy on materiality of and dealing with Related Party Transactions

#### **I) Objective:**

Related Party Transactions can present a conflict of interest which may be against the best interest of the company and its shareholders. The provisions of the Companies Act, 2013 (“Act”) read with the Rules framed thereunder and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 as amended from time to time (“SEBI (LODR) Regulations, 2015”), provide for approval of certain Related Party transactions by the Audit Committee, the Board and the 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/ the Company”) 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 if the transaction/transactions to be entered into, individually or taken together with previous transactions during a financial year, exceeds the thresholds as specified under Regulation 23 of SEBI (LODR) Regulations, 2015 as below:

<b>Consolidated Turnover of the Company</b>	<b>Materiality Threshold</b>
(I) Up to ₹20,000 Crore	10% of the annual consolidated turnover of the Company
(II) More than ₹20,000 Crore to upto ₹40,000 Crore	₹2,000 Crore + 5% of the annual consolidated turnover of the Company above ₹20,000 Crore
(III) More than ₹40,000 Crore	₹3,000 Crore + 2.5% of the annual consolidated turnover of the Company above ₹40,000 Crore or ₹5000 Crores, whichever is lower.

Provided 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 five percent (5%) of the annual consolidated turnover of the Company.

Explanation: For the purpose of computing the thresholds stated above, the annual consolidated turnover of the Company shall be determined based on the last audited financial statements of the Company.

“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% or more of the existing limit as sanctioned by the Audit Committee or/ the Board or the/ Shareholders, as the case may be.

“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” means related party transaction as defined under Regulation 2(1)(zc) of the SEBI (LODR) Regulations, 2015 read with the applicable provisions of the Companies Act, 2013, as amended from time to time.

“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 the Related Party Transactions where the Company is a party to the transaction 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 of the Company is a party but the Company is not a party including a subsequent Material Modifications of such transaction, 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 the thresholds specified under Regulation 23(2) of SEBI LODR Regulations, as amended from time to time.

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 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.

#### **Ratification of Related Party Transactions by the Audit Committee**

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 a Material Related Party Transaction in terms of the provisions of SEBI (LODR) Regulations, 2015 and this Policy;
- (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.

#### Omnibus approval for Related Party Transactions

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 and pursuant the criteria established in this regard by the Audit Committee

Provided that where the need for a Related Party Transaction cannot be foreseen and details of the transactions are not available, the Audit Committee may grant omnibus approval subject to the value of the Related Party Transaction not exceeding rupees one crores per transaction.

The Audit Committee shall review on a quarterly basis, the details of Related Party Transactions entered into by the Company or its subsidiary pursuant to each of the omnibus approval given.

#### b) Approval of the Board:

All Related Party Transactions covered under Section 188 of the Act shall require approval of the Board of Directors of the Company. However, no approval of the Board shall be required for Related Party Transactions if such transactions are entered into by the Company in its ordinary course of business and on an 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 (LODR) 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.

Subject to the exceptions provided under the Act, Related Party Transactions covered under Section 188 of the Act 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) shall require prior approval of shareholders of the Company.

Whenever threshold for obtaining approval of the Audit Committee, the Board or the Shareholders changes with amendment in the Act or SEBI (LODR) Regulations, 2015, 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 the Related Party Transactions 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.