



**SAMVARDHANA MOTHERSON GROUP**

**RELATED PARTY TRANSACTION POLICY**

**Adopted by the Board of Mother'son Technology Services Limited**

**Date: February 13, 2018**

## **TABLE OF CONTENTS**

	Pg. No.
1. Preamble	3
2. Definitions and Interpretation	3
3. Applicability	5
4. Procedure for Undertaking RPT	5
5. Administration of the Policy	6

## RELATED PARTY TRANSACTION POLICY

### 1. PREAMBLE

Samvardhana Mother'son Group ("**SMG**") intends to promote highest standards of professional integrity and ethical standards in respect of all Related Party Transactions ("**RPTs**"). While, SMG recognizes that transacting with the Related Parties is a normal part of business transactions within the Group, it also requires appropriate approvals and disclosures to all concerned.

This Related Party Transaction Policy ("**RPT Policy**") aims to provide guidance on the standards for initiation, consummation and disclosure of RPTs to ensure that the spirit and requirements of an arms' length transaction is duly adhered.

### 2. DEFINITIONS AND INTERPRETATION

"**Arm's Length Pricing**" shall mean a price of a transaction agreed in accordance with market values or cost plus reasonable mark-up (as the case may be), disregarding any Related Party connection.

"**Audit Committee**" shall mean audit committee in case formed by respective company of SMG.

"**Board**" shall mean the board of directors of respective company of SMG.

"**Company Records**" shall mean records and books of accounts maintained by a company of SMG.

"**Contractual Documentation**" shall mean the contracts, agreements, letters and any other document intended to create a contractual relationship in respect to any RPT.

"**Control**" shall mean the right exercisable by a person, directly or indirectly, to appoint majority Directors, or to control the management or policy decisions of the Board; by virtue of shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

"**Material Related Party Transactions**" shall mean a RPT, which individually or taken together with previous RPT(s), during a financial year exceeds five percent (5%) of the annual turnover or twenty percent (20%) of the net worth, whichever is higher, as per the last audited financial statements of respective company of SMG.

"**Office or Place of Profit**" shall mean any office within SMG:

- (i) where such office or place is held by a director, if such director receives any remuneration or benefit, over and above the remuneration or benefit to which he is entitled to receive as a director; or
- (ii) where such office or place is held by an employee, if such an individual receives any remuneration or benefit, over and above the remuneration or benefit to which he is entitled to receive as an employee.

**“Ordinary Course of Business”** shall mean the usual/routine transactions, customs and practices of the relevant company.

**“RPT Originator”** shall mean an employee / any person who proposes to undertake a Related Party Transaction.

**“Related Party”** shall mean and include:

- (i) a Director or his Relative;
- (ii) a limited liability partnership or partnership firm, in which a Director or his Relative is a partner;
- (iii) a Private Company in which a Director is a member or director;
- (iv) a Public Company in which a Director is a director and holds along with his Relatives, more than two per cent (2%) of its share capital;
- (v) a body corporate whose board of directors is accustomed to act in accordance with the advice, directions or instructions of the Director (except if such advice, directions or instructions given in a professional capacity); or
- (vi) any other person as may be prescribed by SMG.

**“Related Party Transactions”** shall mean transfer of resources, services or other obligations, between Related Party(ies), regardless of whether a price is charged or not, including but not limited to:

- (i) sale, purchase or supply of any goods or materials;
- (ii) selling or otherwise disposing of, or buying property of any kind;
- (iii) leasing 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) appointment to an Office or Place of Profit; and
- (vii) underwriting subscription of any securities or derivatives thereof.

**“Relative”** with reference to any person, means:

- (i) spouse;
- (ii) father / step-father;
- (iii) mother / step-mother;
- (iv) son / step-son (including his wife and children);
- (v) daughter / step-daughter( including her husband and children);
- (vi) brother / step-brother; and
- (vii) sister / step-sister.

### 3. APPLICABILITY

This Policy stipulates that all SMG RPT Originators shall undertake and ensure that all RPT are in accordance with this Policy. Further, any modification of RPT is also in accordance with this Policy.

SMG RPT Originator shall initiate and conclude a RPT in accordance with this Policy.

#### 4. PROCEDURE FOR UNDERTAKING RPT

Before initiating any RPT, RPT Originator shall determine, whether such a transaction is in Ordinary Course of Business and/or at Arm's Length Pricing.

All Related Party Transactions which are in the Ordinary Course of Business and at Arm's Length Pricing, shall only be undertaken after:

- (i) obtaining a prior approval of the Audit Committee; wherever such Audit Committee has been constituted.
- (ii) in case the company does not have an Audit Committee, obtaining consent of Board by a Board resolution (excepting such Related Party Transactions in the Ordinary Course of Business for which there is Arm's Length Pricing), wherein, interested Directors shall abstain from voting;
- (iii) ensuring all conditions stipulated by Audit Committee and/or Board (as may be prescribed) are complied with; and
- (iv) ensuring that appropriate Contractual Documents are executed.

The Audit Committee / Board (as the case may be) of respective company shall consider and may give omnibus approval for RPTs which have certainty, at the beginning of the respective accounting / financial period.

Subject to the exclusions as mentioned in section 4.5 below, where an RPT is not at an Arm's Length Pricing, the same needs to be placed before the Audit Committee and/or the Board (as the case may be) of respective company, along with the recommendation of Head Regional Chairman's Office. For making such a recommendation, the Head of Finance and Business Head will provide complete details and requirement for such RPT to the Head Regional Chairman's Office.

Over the years, SMG has invested substantially and created various support functions of highest and unique levels of quality and efficiency. Such support functions includes, IT Services rendered by Mother'son Sumi Infotech & Designs Limited, construction services rendered by Systematic Conscom Limited, travel and stay services provided by Mother'son Air Travel Agencies Limited and management/consultancy services provided by Mother'son Auto Limited (hereinafter referred to as "**Group Support Functions**"). In addition to highest level of quality, support and services to all the entities in SMG, Group Support Functions provides other key strategic value propositions to SMG significantly, *such as*, data privacy, non-dependency on third party, quick turnaround time for business gains, vastu support and many others, in the overall band of SMG. SMG understand that such support functions are not qualitatively comparable with third party vendors and are exceptions to this Policy. Accordingly, any RPT in respect to Group Support Functions needs approval by respective Audit

Committee and/or the Board (as the case may be).

## 5. ADMINISTRATION OF THE POLICY

### Role and Responsibilities

The Head of Finance and Business Head shall be responsible for the implementation and administration of the Policy and will create systems for identification and/or MIS reporting of RPT.

RPT Originator will identify and prepare notes for approval / placing before the Audit Company and/or Board.

The person in charge of board / audit committee functions will work closely with finance team to facilitate approval (including omnibus approval) of all RPT from the Audit Committee and/or Board of respective Company.

### Queries and Clarifications

5.2.1 RPT Originator shall reach out to Head of Finance and Business Head for any doubts of determination of RPT or clarifications in respect of this Policy.

### Procedure for reporting non-compliances under the Policy

In case RPT Originator enter into RPT in contravention of this Policy, such contract or arrangement may be terminated at the option of the Board.

Employees should report their concerns in respect of any facts or circumstances that suggest a past or ongoing violation of this Policy to the Head of Finance and Business Head.

In case any matter requires escalation same may be carried out to the Audit Committee and/or Board of respective company with a copy to Head of Regional Chairman's Office and Group General Counsel's Office.

It shall be open for respective company of SMG to proceed against person who has willfully neglected while entering into such contract or arrangement in contravention of the provisions of this Policy, including, taking any disciplinary action as per the terms of employment or engagement.

### Disclosure(s)

5.4.1 The finance and legal function/department shall ensure that all necessary disclosures for RPT at board report, financial statements, website of respective company in accordance with applicable laws.

### Amendment

5.5.1 SMG has the right to amend or modify this Policy and any change in the Policy shall require review by the Group General Counsell and adoption by the Board.

#### **Provisions of Applicable Laws to prevail**

In terms of the applicable laws in various jurisdictions, the respective company will be required to adhere to various provisions under law, as may be applicable considering the jurisdiction or place of incorporation, including but not limited to, materiality of RPT, corporate approval(s), valuation or disclosure etc. It will be the responsibility of Head of Finance to ensure compliance of all such applicable laws, which will be in addition to the provisions mentioned in this Policy.

In case of any conflict between applicable laws and this Policy, the provisions of applicable laws will prevail, however, such deviations will be required to be reported to the Board.

***In addition to approaching the Head of Finance, Business Head, Audit Committee and/or Board of respective SMG Company, any employee of SMG may also approach for any clarification / doubt / compliances concerning the Policy to the Group General Counsel's Office by sending mail at [gco\\_policyquery@motherson.com](mailto:gco_policyquery@motherson.com) with a copy to the Head of Regional Chairman's Office. Any such email should contain "SMG RPT Policy" in subject line.***