



POLICY ON RELATED PARTY TRANSACTIONS

Pursuant to Regulation 23(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable provisions (if any).

SAMVARDHANA MOTHERSON INTERNATIONAL LIMITED (formerly Mother's Sumi Systems Limited)

Adopted by the Board of Directors on May 26, 2022

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POLICY ON THE RELATED PARTY TRANSACTIONS

This Policy is framed as per the requirements of Regulation 23 of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any modification(s) / amendment(s) / re-enactment(s) thereof (“**SEBI Listing Regulations**”) and in terms of Section 188 of the Companies Act, 2013 (“**Act**”).

1. INTRODUCTION

1.1 The Board of Directors (the “**Board**”) of Samvardhana Motherson International Limited (Formerly Motherson Sumi Systems Limited) (the “**Company**”) has adopted this Policy on the Related Party Transactions (the “**Policy**”) to provide guidance on the procedure with regard to the Related Party Transactions (as defined below). This Policy is to regulate transactions between the Company and its Related Parties (as defined below) based on the applicable laws and also provides for the materiality of Related Party Transactions.

1.2 This revised Policy is applicable to the Company effective from April 1, 2022 unless otherwise in the Policy. The Board of Directors upon the recommendations of the Audit Committee (as defined below) will review and may amend this Policy from time to time.

2. PURPOSE

2.1 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. This Policy is framed on the basis of requirements under the Act and the SEBI Listing Regulations and to ensure the identification of Related Parties, proper conduct, governance and reporting of transactions between the Company and its Related Parties.

3. DEFINITIONS

3.1 “**Accounting Standards**” means the standards of accounting or any addendum thereto for companies or class of companies notified under the Act.

3.2 “**Arm’s Length Pricing**” means the pricing of a transaction concluded between two Related Parties at a price at if they are unrelated so that there is no conflict of interest.

3.3 “**Audit Committee**” or “**Committee**” means the Audit Committee constituted under provisions of the Act and the SEBI Listing Regulations, by the Board of Directors from time to time.

3.4 “**Key Managerial Personnel**” or “**KMP**” means key managerial personnel as defined under the Act and the rules made thereunder and appointed by the Company, from time to time.

3.5 “**Material Related Party Transaction**” means a transaction with a Related Party where the transaction(s) to be entered into individually or taken together with previous transaction(s) with a Related Party during a financial year, exceeds INR 1000,00,00,000/- (Rupees one thousand crore) or 10% (ten percent) of the consolidated annual turnover of the Company as per last audited financial statement of the Company, whichever is lower.

Provided that 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 5% (five percent) of the

consolidated annual turnover of the Company as per the last audited financial statements of the Company.

- 3.6 “**Material Modification**” in relation to a Related Party Transaction means and includes any modification to an existing Related Party Transaction having variance of 20% (twenty percent) of the existing limit as sanctioned by the Audit Committee / Board / shareholders of the Company, as the case may be.
- 3.7 “**Ordinary Course of Business**” means usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per its Memorandum of Association and Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.
- 3.8 “**Policy**” means this policy on the Related Party Transaction.
- 3.9 “**Related Party**” shall have a meaning as defined in Section 2(76) of the Act, Regulation 2(1)(zb) of SEBI Listing Regulations and under other applicable law, as amended from time to time.

Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the Company; or
- (b) any person or any entity, holding equity shares:
- (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023;
in the Company either directly or on a beneficial interest basis as provided under section 89 of the Act, at any time, during the immediate preceding financial year, shall be deemed to be a related party.
- 3.10 “**Related Party Transaction**” means a transaction involving a transfer of resources, services or obligations between:
- (a) Company or any of its subsidiaries on the one hand and a Related Party of the Company or any of its subsidiaries on the other hand; or
- (b) Company or any of its subsidiaries on the one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a Related Party of the Company or any of its subsidiaries, with effect from April 1, 2023;

regardless of whether a price is charged and a “transaction” with a Related Party shall be construed to include a single transaction or a group of transactions in a contract.

Provided that the following shall not be a related party transaction:

- (i) issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (ii) following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - (A) payment of dividend;
 - (B) subdivision or consolidation of securities;

- (C) issuance of securities by way of a rights issue or a bonus issue; and
- (D) buy-back of securities.

3.11 “**Relatives**” as defined in Section 2(77) of the Act and rules made thereunder.

Any other terms not defined herein shall have the same meaning as defined in the Act, the SEBI Listing Regulations or any other applicable law or regulation as amended from time to time.

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.

4. MATERIALITY THRESHOLDS

- 4.1 Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required and no Related Party shall vote to approve such resolution, whether the entity is a Related Party to the particular transaction or not.
- 4.2 The Company has fixed its materiality threshold on the basis of Regulations 23(1), 23(1A) and 23(4) of the SEBI Listing Regulations at the following:
 - (a) Transactions with a Related Party: exceeding INR 1000,00,00,000/- (Rupees one thousand crore) or 10% (ten percent) of the consolidated annual turnover of the Company as per the last audited financial statements of the Company, whichever is lower; and
 - (b) Payment to a Related Party with respect to brand usage or royalty: exceeding 5% (five percent) of the consolidated annual turnover of the Company as per last audited financial statements of the Company.

5. MANNER OF DEALING WITH RELATED PARTY TRANSACTION

5.1 Notice of Potential Related Party Transactions

- 5.1.1 Each Director and KMP shall disclose to the Chief Financial Officer and/or Company Secretary of the Company in Form MBP-1, at the time of appointment, beginning of every financial year and whenever there is any change in the disclosure so made, about all persons, entities, firms in which he/ she is interested, whether directly or indirectly.
- 5.1.2 Each Director and/or KMP is responsible for providing notice to Chief Financial Officer and/or Company Secretary of any potential Related Party Transaction involving him/ her or his/ her Relative or his/ her Related Party, including any additional information about transaction that Audit Committee/ Board may request, for being placed before the Audit Committee/ Board.
- 5.1.3 The Board/ Audit Committee shall record the disclosure of interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.
- 5.1.4 The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance, so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

5.2 Review and Approval of Related Party Transactions by the Audit Committee

- 5.2.1 Subject to the exceptions provided under SEBI Listing Regulations and the Act, all Related Party Transactions and subsequent Material Modification(s) thereof shall require prior approval of the Audit Committee of the Company. Provided that, only those members of the Committee, who are independent directors, shall approve Related Party Transactions and subsequent Material Modification(s).
- 5.2.2 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 individual or taken together with previous transactions during a financial year exceeds 10% (ten percent) of the consolidated annual turnover of the Company as per the last audited financial statement of the Company.

Provided that with effect from April 1, 2023, 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 10% (ten percent) of the standalone annual turnover of the subsidiary as per the last audited financial statements of the unlisted subsidiary.

- 5.2.3 The prior approval of the Audit Committee shall not be required for Related Party Transactions where a listed subsidiary of the Company is a party, but the Company is not a party, if Regulations 23 and 15 (2) of SEBI Listing Regulations are applicable to such listed subsidiary.
- 5.2.4 To review a Related Party Transaction, the Audit Committee will be provided with all relevant material information of the Related Party Transaction, including the name of Related Party, terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant information. The information provided shall specifically cover the following:
- (a) Type, material terms and particulars of the proposed transaction;
 - (b) Name of the Related Party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
 - (c) Tenure of the proposed transaction (particular tenure shall be specified);
 - (d) Value of the proposed transaction;
 - (e) Percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a Related Party Transaction involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
 - (f) If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
 - (i) details of the source of funds in connection with the proposed transaction;
 - (ii) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments:
 - (A) nature of indebtedness;
 - (B) cost of funds; and
 - (C) tenure;
 - (iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and

- (iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the Related Party Transaction;
- (g) Justification as to why the Related Party Transaction is in the interest of the Company;
- (h) A copy of the valuation or other external party report, if any, and such report has been relied upon;
- (i) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed Related Party Transaction on a voluntary basis; and
- (j) Any other information that may be relevant.

5.2.5 The Audit Committee will consider the following factors, among others, while considering and according approval(s) to the Related Party Transaction(s), to the extent relevant:

- (a) Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party?
- (b) Whether there are any undue 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 affect the independence of the directors/ KMP?
- (d) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction?
- (e) Where the ratification of the Related Party Transaction is allowed by law and is sought from the Audit Committee, the reason for not obtaining the prior approval of the Audit Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company?
- (f) Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Officer or other Related Party(ies), the direct or indirect nature of the Director's, Key Managerial Personnel'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 deems relevant?

5.2.6 Decision regarding transaction in an Ordinary Course of Business and on Arm's Length Basis

The Audit Committee or the Board shall, in respect of the Related Party Transactions referred to them for approval, shall after considering the materials placed before them, shall determine/judge if the transaction is in an Ordinary Course of Business and/or at Arm's Length Basis. In case the Audit Committee is not able to arrive at such a conclusion, the same shall be referred to the Board, which shall decide if the transaction is in an Ordinary Course of Business and/or at Arm's Length Basis.

5.2.7 Every Related Party Transactions shall be approved at a meeting of the Audit Committee or by resolution by circulation (as may be permissible).

5.2.8 Any member of the Audit Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

5.3 Omnibus approval for Related Party Transactions by the Audit Committee

5.3.1 The Audit Committee may grant omnibus approval for Related Party Transactions entered / to be entered into by the Company, *inter-alia*, in accordance with this Policy.

5.3.2 The Audit Committee shall specify criteria for granting omnibus approval in line with the Policy, which shall include the following:

- (a) Maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year;
- (b) The maximum value per transaction which can be allowed;
- (c) Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
- (d) Review, at such intervals, as the Audit Committee may deem fit, of Related Party Transaction entered into by the Company pursuant to each omnibus approval made; and
- (e) Transactions which cannot be subject to the omnibus approval by the Audit Committee.

5.3.3 The Audit Committee shall consider the following factors while specifying criteria for making omnibus approval, namely:

- (a) Repetitiveness of the transactions (in past or in future); and
- (b) Justification for the need of omnibus approval.

5.3.4 The Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company.

5.3.5 The omnibus approval shall provide the following details:

- (a) The name(s) of the Related Party, nature of transaction, period of transaction, maximum aggregated value of the particular type of transaction that can be entered into;
- (b) Basis of arriving at the indicative base price / current contracted price and the formula for variation in the price in any; and
- (c) Such other conditions as the Audit Committee may deem fit.

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval subject to the value not exceeding Rs. 1,00,00,000/- (Rupees one crore only) per transaction.

5.3.6 The Audit Committee shall review, at least on a quarterly basis, the aggregated value and other details of Related Party Transactions transacted into by the Company pursuant to each of the omnibus approval given.

5.3.7 Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval prior after the expiry of next year.

5.3.8 The Audit Committee may provide for any other condition it may deem fit for review or approval of any Related Party Transaction.

5.3.9 While assessing a proposal for omnibus approval, the Audit Committee may review such documents / seek further information from the management as they may require to determine and ensure that the transaction is (a) in an Ordinary Course of Business; and (b) on an Arms' Length Basis. In case any Related Party Transaction is either, not in an Ordinary Course of Business or not on an Arms' Length Basis, such transaction cannot be approved by the Audit Committee as an omnibus approval.

5.4 Approval of the Related Party Transactions by the Board of Directors

5.4.1 As per the provisions of section 188 of the Act, all kinds of transactions specified under the said section and which are not in an Ordinary Course of Business and/or not at an Arms' Length Basis, are placed before the Board for its approval.

- 5.4.2 In addition to above, the following kinds of transactions with Related Parties are also placed before the Board for its approval:
- (a) Transactions which may be in the Ordinary Course of Business and at an Arms' Length Basis, but which are as per the Policy determined by the Board from time to time (i.e. threshold value and/or other parameters) require Board approval in addition to the Audit Committee approval;
 - (b) Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the Ordinary Course of Business and on Arms' Length Basis and/or decides to refer the same to the Board for approval;
 - (c) Transactions which are in the Ordinary Course of Business and at Arms' Length Basis, but which as per Audit Committee requires approval of the Board; and
 - (d) Transactions above the materiality threshold laid down in paragraph 4.2 of the Policy, which are intended to be placed before the shareholders of the Company for approval.
- 5.4.3 Where any Director is interested in any contract or arrangement with a Related Party, such Director shall not be present at the Board meeting during discussions and voting on the subject matter of the resolution relating to such Related Party Transaction.
- 5.5 Approval of the shareholders of the Company
- 5.5.1 All Material Related Party Transactions with Related Parties exceeding the materiality threshold laid down in paragraph 4.2 of the Policy and subsequent Material Modification(s) shall require prior approval of the shareholders through resolution and no Related Party shall vote to approve such resolutions whether the entity is a Related Party to the particular transactions or not.
- 5.5.2 In addition, all kinds of transactions specified under section 188 of the Act which (a) are not at Arms' Length Basis and/or not in the Ordinary Course of Business; and/or (b) exceed thresholds laid down in Companies (Meeting of Board and its Powers) Rules, 2014 are placed before the shareholders of the Company for their approval.
- 5.5.3 The period of validity of approval of the shareholders for omnibus of Related Party Transactions shall be as follows:
- (a) Omnibus Material Related Party Transactions approved at annual general meeting ("AGM"): valid upto the date of the next AGM for a period not exceeding fifteen months; and
 - (b) Omnibus Material Related Party Transactions approved at extraordinary general meeting: valid for a period of one year.
- 5.5.4 The prior approval of the shareholders of the Company shall not be required for Related Party Transactions where a listed subsidiary of the Company is a party, but the Company is not a party, if Regulations 23 and 15 (2) of SEBI Listing Regulations are applicable to such listed subsidiary.
- 5.5.5 The prior approval of the shareholders of the Company shall not be required in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
- 5.5.6 The explanatory statement contained in the notice sent to the shareholders of the Company for seeking their approval for a Related Party Transaction shall provide, *inter alia*, (a) relevant information so as to enable the shareholders to take a view whether the terms and conditions of the proposed Related Party Transaction are not unfavourable to the Company, compared to the terms and conditions had similar transaction been entered into between two unrelated parties; and (b) other

relevant information as required under the SEBI Listing Regulation and the Act to enable the shareholders to take an informed decision.

5.6 Exclusions

5.6.1 The provisions of paragraphs 5.2, 5.3, 5.4 and 5.5 of this Policy shall not be applicable in the following events:

- (a) Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders of the Company at the general meeting for approval; and
- (b) Transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders of the Company at the general meeting for approval.

5.7 Whenever threshold for obtaining approval of the Audit Committee, Board or the shareholders of the Company changes with amendment in the Act or SEBI Listing Regulations or any relaxation is granted in terms of applicability or effective date, then, irrespective of what is stated above, said amendment threshold or relaxations shall become applicable to the Company and the Audit Committee shall be informed for the same.

6. **RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

6.1 In the event the Committee becomes aware of a transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The 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 Committee shall also examine facts and circumstances pertaining to failure of reporting such Related Party Transaction to the Committee and failure of internal control systems (if any), and shall take any such steps / action it deems appropriate.

6.2 In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without its approval, the Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of such transaction or seeking approval of shareholders, payment of compensation for loss suffered by the Related Party etc. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

7. **REVIEW AND AMENDMENT OF THE POLICY**

7.1 The Company is committed to continuously review and update the Policy and procedures at least once every 3 (three) years and, therefore, this Policy is subject to modification. Any amendment or modification of any provision of this Policy must be approved by the Board of Directors in consideration of the recommendations of the Audit Committee and promptly disclosed on the Company's website.

8. **DISCLOSURE**

This Policy will be communicated to all relevant employees and other concerned persons of the Company and shall be placed on the website of the Company at www.motherSON.com. Further, the Company shall make all necessary disclosures in its Annual Report and/or to the stock exchanges, as may be required to be made under applicable laws.

9. LIMITATION

In the event of any conflict between the Act or SEBI Listing Regulations or other statutory enactments (“**Regulations**”) and the provisions of this Policy, the Regulations shall prevail over this Policy. Any subsequent amendment / modification in the Regulations, in this regard, shall automatically apply to this Policy and the provisions in the Policy would be modified in due course to make it consistent with the Regulations.