



MOTHERSON SUMI SYSTEMS LIMITED

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POLICY ON RELATED PARTY TRANSACTIONS

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Pursuant to Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time.

1. INTRODUCTION

1.1 The Board of Directors (the “**Board**”) of 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 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 materiality of Related Party Transactions.

1.2 This revised Policy will be applicable to the Company w.e.f. 1st April, 2019. The Board of Directors of the Company upon the recommendations of the Audit Committee will review and may amend this Policy from time to time.

2. PURPOSE

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 the requirement under the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI Listing Regulations**”) as amended 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 Companies Act, 2013.

3.2 “**Arm’s Length Pricing**” shall mean 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 by the Board of Directors of the Company under provisions of the Companies Act, 2013 and SEBI Listing Regulations, from time to time.

3.4 “**Board of Director**” or “**Board**” means the Board of Directors of Motherson Sumi Systems Limited, as constituted from time to time.

3.5 “**Key Managerial Personnel**” or “**KMP**” means key managerial personnel as defined under the Companies Act, 2013 and the rules made there under and appointed by the Company, from time to time.

3.6 “**Material Related Party Transaction**” means a transaction with a Related Party if the transaction(s) to be entered into individually or taken together with previous transactions

during a financial year, exceeds 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statement of the Company.

It is clarified that, for 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 2% (two percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

- 3.7 **“Ordinary Course of Business”** means the 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 Memorandum & 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 Related Party Transaction Policy.
- 3.9 **“Related Party”** shall have a meaning as defined in Section 2(76) of the Companies Act, 2013, Regulation 2(1)(zb) of SEBI Listing Regulations and under other applicable law, as amended.
- 3.10 **“Related Party Transaction”** means any transaction involving transfer of resources, services or obligations between the Company and a Related Party, 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.
- 3.11 **“Relatives”** as defined in Section 2(77) of the Companies Act, 2013 and the rules issued thereunder.

Any other terms not defined herein shall have the same meaning as defined in the Companies Act, 2013, SEBI Listing Regulations or any other applicable law or regulation as amended from time to time.

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.

Provided that approval will not be required for Material Related Party Transaction in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) Code, 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved.

- 4.2 The Company has fixed its materiality threshold on the basis of regulation 23(1), 23(1A) and 23(4) of the SEBI Listing Regulations at the following:

- (a) Payment to a Related Party with respect to brand usage or royalty: 2% (two percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company;
- (b) Transactions with Related Parties: 10% (ten percent) of the annual consolidated turnover of the Company as per last audited financial statements of the Company.

The Policy on materiality and its threshold limits shall be reviewed by the Board of the Company once in every 3 (three) years and updated accordingly.

5. MANNER OF DEALING WITH RELATED PARTY TRANSACTION

5.1 Notice of Potential Related Party Transactions

Each Director and/or KMP is responsible for providing notice to the CFO 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 the transaction that the Audit Committee / Board may request, for being placed before the Audit Committee/Board. 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.

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

Every Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by circulation (as may be permissible). Any member of the 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.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. The information provided shall specifically cover the following:

- (a) the name of the Related Party and nature of relationship;
- (b) the nature, duration of the contract and particulars of the contract or arrangement;
- (c) the material terms of the contract or arrangement including the value, if any;
- (d) any advance paid or received for the contract or arrangement, if any;
- (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (f) all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- (g) any other information relevant or important for the Board to take a decision on the proposed transaction.

The 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 Committee, the reason for not obtaining the prior approval of the 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 interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/ Committee deems relevant?

5.3 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 or at Arm's Length Basis.

5.4 Further, as per applicable laws, the transaction(s) between holding and wholly-owned subsidiary whose accounts are consolidated with holding company is exempted.

5.5 Omnibus approval by the Audit Committee

5.5.1 Subject to the applicable laws and SEBI Listing Regulations, the Audit Committee may grant omnibus approval for Related Party Transactions entered / to be entered into by the Company, *inter-alia*, in the following manner:

- (a) The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for granting the omnibus approval in line with the Policy and such approval which shall include the following:
 - (i) Maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year;

- (ii) The maximum value per transaction which can be allowed;
 - (iii) Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - (iv) Review, at such intervals, as the Audit Committee may deem fit, Related Party Transaction entered into by the Company pursuant to each omnibus approval made; and
 - (v) Transactions which cannot be subject to the omnibus approval by the Audit Committee.
- (b) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-
- (i) Repetitiveness of the transactions (in past or in future);
 - (ii) Justification for the need of omnibus approval.
- (c) 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.
- (d) The omnibus approval shall provide the following details:
- (i) 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;
 - (ii) Basis of arriving at the indicative base price / current contracted price and the formula for variation in the price in any; and
 - (iii) 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. 10,000,000 (Rupees ten million only) per transaction.

- (e) 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 the omnibus approval given;
- (f) Such omnibus approval shall be valid for a period not exceeding one year financial year and shall require fresh approval prior to the commencement of next financial year;
- (g) Omnibus approval shall not be made for transaction in respect of selling or disposing of the undertaking of the Company; and
- (h) The Audit Committee may provide for any other condition at it may deem fit.

5.5.2 In compliance to the approval of the Board of Directors, the Audit Committee of the Company has specified following criteria for granting omnibus approval:

- (a) The maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a year will be 10% of the annual consolidated turnover of the Company as per its last audited financial statements.
- (b) The maximum value per transaction which can be approved under omnibus route will be the same as per the materiality threshold as defined in Clause 4.2 of the Policy.
- (c) While assessing a proposal for omnibus approval, the Audit Committee / Board may review such documents / seek further information from the management as they may require to determine and ensure that the transaction is (i) in an Ordinary Course of Business; and (ii) on an Arms' Length Basis. In case any 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.
- (d) The Audit Committee shall review, at least on a quarterly basis, the details of Related Party entered by the Company pursuant to each omnibus approval given.

5.6 Approval of the Board of Directors of the Company

- 5.6.1 As per the provisions of section 188 of the Companies Act, 2013, 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.
- 5.6.2 In addition to the 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 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 the Clause 4.2 of the Policy, which are intended to be placed before the shareholders for approval.

5.7 Approval of the shareholders of the Company

- 5.7.1 All the transactions with Related Parties exceeding the materiality threshold laid down in the Clause 4.2 of the Policy, are placed before the shareholders for approval.
- 5.7.2 In addition, all kinds of transactions specified under section 188 of the Companies Act, 2013 which (a) are not at Arms' Length Basis and/or not in the Ordinary Course of Business; and/or (b) exceed the thresholds laid down in Companies (Meeting of Board and its Powers) Rules, 2014 are placed before the shareholders for approval.

5.7.3 However, the requirement of shareholder's approval shall not be applicable for the following cases:

- (a) transaction in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) Code, 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved;
- (b) transaction entered into between the Company and its wholly owned subsidiary(ies) whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

6. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

6.1 In the event the Company 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 the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy and failure of the internal control systems, 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 approval, the Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the 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

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 Company's 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.

Adopted with effect from October 1, 2014. Further revised on February 11, 2019 to be effective from April 1, 2019.