

**SAL AUTOMOTIVE LIMITED****POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS**

This Policy shall be called 'Policy on materiality of and dealing with Related Party Transactions' ("Policy"). This Policy is for determining the materiality of Related Party Transactions and also about dealing with Related Party Transactions. This Policy is prepared and adopted to build a framework for the Related Party Transactions of Sal Automotive Limited and shall regulate the transactions between the Company and its related parties as per the requirements and disclosures under the applicable laws, rules and regulations.

**OBJECTIVE:**

SAL Automotive Limited (hereinafter referred to as "the Company") is mainly engaged in manufacturing and sale of seats, seat mechanism and agri implements. 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 to the provisions of the Companies Act, 2013 ("Act") and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

Also, Regulation 23(1) of the Listing Regulations requires the Company to formulate a policy on materiality of related party transactions and dealing with related party transactions. In the light of the same, the Board of Directors ( "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 in compliance with the requirements of Section 188 of the Act and Regulation 23 of the Listing Regulations..

**DEFINITIONS:**

"Act" means the Companies Act, 2013

"Arm's length transaction" means a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no conflict of interest.

"Audit Committee" or "Committee" means the audit committee constituted by the Board of Directors of the Company in accordance with applicable law, including the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Companies Act, 2013.

"Board" means the Board of Directors of SAL Automotive Limited.

"Company" means SAL Automotive Limited.

"Listing Regulations" means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

"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.

"Policy" means this Policy, as amended from time to time.

"Related Party" means an entity related to the Company where:

- i. such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- ii. such entity is a related party under the applicable accounting standards.

In addition, any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the Company shall be deemed to be a related party.

"Related Party Transaction" have the meaning as defined under Regulation 2(1)(zc) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015 as means transfer of resources, services or obligations between a listed entity and a related party, regardless of whether price is charged

"Rules" means the Rules issued under the Act.

"Relative" means a relative as defined under the Companies Act, 2013.

"Transaction" with a related party shall be construed to include a single transaction or a group of transactions.

Any other term not defined herein shall have the same meaning as defined in the Act, the Listing Regulations, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation.

## **I. THE POLICY**

Following shall be the structure of dealing with transactions with Related Parties with the Company:

1. Identification of potential Related Party Transactions;
2. Restrictions relating to Related Party Transactions;
3. Approval of Related Party Transactions; and
4. Disclosure of Related Party Transactions.

## **II. IDENTIFICATION OF RELATED PARTIES**

1. Any transaction by the company with a Related Party will be regulated as per this Policy.
2. Every Director and the KMP of the Company shall on annual basis, give details of Related Parties and any changes therein. Basis the details shared, a list of Related Parties shall be prepared.
3. Every Director and the KMP of the Company will be responsible for providing the information and prior notice of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that may be reasonably requested, to the Company Secretary or the Audit Committee, in writing. They will also be responsible for providing additional information about the transaction that the Board / Committee may request, for being placed before the Committee and the Board.

4. In terms of the Act, all Related Party Transactions in the Company, which are not in ordinary course of business and/ or not at arm's length prices shall require prior approval of the shareholders by way of ordinary resolution in pursuance to the Companies (Meetings of Board and its Powers) Rules, 2014, where the transaction or transactions to be entered into are:
- a) as contracts or arrangements with respect to:
    - 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;
    - 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;
    - iii. leasing of property any kind amounting to ten per cent or more of the turnover of the company;
    - 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
  - b) is for 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.
  - c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth

*The turnover or net worth referred in the above provisions shall be computed on the basis of the audited financial statement of the preceding financial year.*

### **III. APPROVAL OF RELATED PARTY TRANSACTIONS:**

#### **Audit Committee approval**

1. All Related Party Transactions shall be subject to the prior approval of the Audit Committee in the manner as provided by the Act or Rules made thereunder.
2. Where the Company enters into a contract / transactions with a related party, which stipulates details of every transaction like nature of the transaction, period of transaction, contract price or methodology of price determination, maximum amount of transaction , credit terms etc., prior approval once given by the Audit Committee would suffice and Audit Committee would only note the transactions that are entered into pursuant to such master agreement and will not require any additional approval of the Audit Committee.
3. The Audit Committee may grant omnibus approval for the proposed Related Party Transaction subject to the following conditions:
  - a. The Audit Committee shall lay down the criteria for granting omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;
  - b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
  - c. Such omnibus approval shall specify the following:

- Name(s) of the Related Party;
  - Nature of the transaction;
  - Period of transaction;
  - Maximum amount of transaction that can be entered into;
  - The indicative base price / current contracted price and the formula for variation in the price, if any, and;
  - Such other conditions as the Audit Committee may deem fit.
4. 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 Rs. One Crore per transaction.
5. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year. However, the 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.
6. The agenda of the meeting at which such Related Party Transaction is proposed to be reviewed/approved by the Audit Committee shall disclose the following: -
- i. the name of the related party and nature of relationship;
  - ii. the nature, duration of the contract and particulars of the contract or arrangement;
  - iii. the material terms of the contract or arrangement including the value, if any;
  - iv. any advance paid or received for the contract or arrangement, if any;
  - v. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
  - vi. whether 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;
  - vii. the persons/authority approving the transaction; and
  - viii. any other information relevant or important for the Committee to take a decision on the proposed transaction.
7. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:
- i. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company.
  - ii. 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;
  - iii. Whether the nature of the proposed transaction is something that the Company would have ordinarily done in the course of its business;
  - iv. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
  - v. 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 or in contravention of any law; and
  - vi. Any other factor the Committee deems relevant for reviewing and approving

such Related Party Transaction.

8. A member of the 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.
9. Transaction of following nature will not be subject to the omnibus approval of the Audit Committee:
  - i. Transactions which are not at arm's length or not in the ordinary course of business
  - ii. Transactions which are not repetitive in nature
  - iii. Transactions exceeding materiality thresholds as laid down in Clause 5 of the Policy
  - iv. Transactions in respect of selling or disposing of the undertaking of the company
  - v. Financial Transactions eg. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties
  - vi. Any other transaction the Audit Committee may deem not fit for omnibus approval.

### **Board of Directors approval**

1. Where the transaction is not in ordinary course of business and/ or not at arm's length price or where the transactions is referred to it by the Audit Committee, such Related Party Transaction shall require approval of the Board f.
2. The agenda of the Board meeting at which the resolution related to Related Party Transaction is proposed to be moved shall disclose the following -
  - i. name of the Related Party and nature of relationship;
  - ii. nature, duration and particulars of the contract or arrangement;
  - iii. material terms of the contract or arrangement including the value, if any
  - iv. any advance paid or received for the contract or arrangement, if any; the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
  - v. whether 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
  - vi. any other information relevant or important for the Board to take a decision on the proposed transaction.
3. 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.

### **Shareholders' Approval**

1. All Material Related Party Transactions shall require approval of shareholders of the Company through a resolution (unless it is exempted pursuant to the provisions of Listing Regulations)
2. All Related Party Transactions pursuant to section 188 of the Act which are not in the ordinary course of business and / or not an Arms' length basis and which crosses the threshold limits prescribed under Act, shall also require the approval of shareholders of the Company through a resolution.

3. "Ordinary course of business" would include usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and all such activities which the Company can undertake as per Memorandum & Articles of Association. In case of Material Related Party Transactions, all entities falling under the definition of the Related Parties shall abstain from voting in favour of the resolution irrespective of whether the entity is a party to the particular transaction or not in the above transactions. In case of Related Party Transactions pursuant to section 188, entities falling under the definition of the Related Parties which are relevant for purpose of the transaction, shall abstain from voting on the resolution.
4. 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.

#### **IV. THRESHOLD LIMIT**

The Related Party Transactions during a financial year shall not exceed 10% of the consolidated turnover of the Company during the last financial year. The aforesaid turnover shall be determined as per the last audited consolidated financial statements of the Company

#### **V. DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS**

1. Every Related Party Transaction / contracts or arrangements that are:- (a) material or (b) 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.
2. Adequate disclosure of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
3. Additionally, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results, shall be submitted to the stock exchange/s and published on the website of the Company within the prescribed timeframe.
4. A register of Related Party Transactions shall be maintained as per the Act and placed before the Board and signed by all the directors present at the Meeting.

#### **VI. OTHER MISCELLENEOUS MATTERS**

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.

- a) By Audit Committee:

Where the Company becomes aware of a Related Party Transaction with a Related Party

that has not been approved under this Policy prior to its implementation, the matter shall be reviewed by the Audit Committee. In such circumstance, the Committee 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 shall take any such action it deems appropriate.

In case where the Committee does not deem it fit to ratify a Related Party Transaction that has been commenced without approval, the Committee, may direct additional actions including, but not limited to, immediate discontinuation of the transaction, as appropriate. The Committee shall also have the authority to modify or waive any procedural requirements of the Related Party Transaction to suit the modus operandi of this Policy.

b) By Board / shareholders

If any related party transaction is entered without obtaining the consent of the Board or Shareholders, as the case may be and if such approval was required under this Policy, the same is required to be ratified by the Board or the shareholders, as the case may be, within three months from the date on which such related party transaction was entered into. The Board shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to it under this Policy and shall take any such action it deems appropriate.

If the related party transaction has not ratified by Board or Shareholders as mentioned above, such related party transaction shall be voidable at the option of the Board or, as the case may be, of the Shareholders and if the related party transaction is with a related party to any director, or is authorized by any other director, the directors concerned shall indemnify the Company against any loss incurred by it. If the Audit Committee/Board/Shareholders decides, not to ratify a particular transaction, then it may direct additional actions in accordance with this Policy.

## **VII. REVIEW AND AMENDMENTS**

The Committee shall, at least once in three year, assess the adequacy of this Policy and make any necessary or desirable amendments to ensure it remains consistent with the Board's objectives, laws applicable and the best practices.

This Policy shall be reviewed by the Board at least once every three years. 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.

## **VIII. INDEMNITY AGAINST LOSSES TO THE COMPANY AND PENALTY**

In the event of entering into any Related Party Transaction with the director(s) of the Company, that has been entered into without obtaining of requisite approvals as may be required, the concerned director, if he has so acted negligently or deliberately, shall be liable for all the losses, if any, that may be suffered by the Company in that transaction and he/she shall indemnify the Company for the same.

The Company may also proceed against a director or any other employee for recovery of any loss sustained by it as a result of a contract/ arrangement entered into by such person in

contravention of the provisions of the law relating to Related Party Transactions.

#### **IX. SCOPE LIMITATION**

In the event of any conflict between the provisions of this Policy and of the Listing Regulations / Act or any other statutory enactments, rules, the provisions of such Listing Regulations / Act or statutory enactments, rules shall prevail over this Policy.

#### **X. 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.

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