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## POLICY ON RELATED PARTY TRANSACTIONS

(Effective 1<sup>st</sup> July 2019)

### INTRODUCTION

The Board of Directors of SML ISUZU LIMITED ('the Board') has adopted the following Policy with regard to the Related Party Transactions ('RPTs') as required under SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 ('Listing Regulations, 2015').

The policy envisages the identification of material RPTs and the procedure to deal with all RPTs to ensure compliance with the requirements of Listing Regulation, 2015. Further, the Policy ensures compliance with the relevant provisions of the Companies Act, 2013 (the Act) relating to RPTs within the meaning of the Act.

### DEFINITIONS

**"Related Party"** - an entity shall be considered as related to the Company, if:

- 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 Listing Regulations, 2015.

**"Related Party Transaction"** – means transfer of resources, services or obligations between a 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 including but not limited to the following –

- a. sale, purchase or supply of any goods or materials;
- b. selling or otherwise disposing of, or buying, property of any kind;
- c. leasing of property of any kind;
- d. availing or rendering of any services;
- e. appointment of any agent for purchase or sale of goods, materials, services or property;
- f. such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company;
- g. underwriting the subscription of any securities or derivatives thereof, of the company.

**"Material Related Party Transactions"** means any transaction / transactions to be entered into with a related party, individually or taken together with previous transactions during a financial year, exceeds 10 % of the annual consolidated turnover of the Company as per its last audited financial statements.

The terms not defined herein shall take their meaning from the applicable laws.

## **PROCEDURE**

### **A. Identification of Related Party Transactions**

All Related Party Transactions, identified by the Management of the Company as such, must be brought to the notice of the Audit Committee (ACB) of the Company.

Each Director and KMP is responsible for providing notice to the ACB of any potential RPT involving him or her or his or her Relative, including any additional information about the transaction that the ACB may reasonably request.

The ACB will determine whether the transaction does, in fact, constitute a RPT requiring compliance with this Policy.

### **B. Role of the Audit Committee (ACB)**

1. Reviewing, with the management, the annual financial statements and auditor's report thereon, with particular reference to the related party transactions, before submission to the Board for approval.
2. All RPTs shall require prior approval of the ACB. Approvals may be of the following two types:
  - i) Specific approval, in case of each RPT, where the RPT is non-repetitive in nature; and
  - ii) Omnibus approval, in case of such RPTs which are repetitive in nature. However such omnibus approval shall be given by the ACB subject to the criteria laid down by the Board of Directors and in compliance with the Act and the Listing Regulation, 2015.
3. Any modification in the RPT to which the ACB had previously given its approval, shall not be given effect to without the approval of the ACB.
4. The ACB shall refer the Material RPTs or other RPTs as specified in the Companies Act, 2013, to the Board for its consideration and approval.

### **C. Role of the Board of Directors of the Company ('Board')**

1. The Board must monitor and manage any potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in RPTs.
2. It is the duty of the Board to place all the Material RPTs before the shareholders for their approval by means of an Ordinary resolution.
3. The Board must ensure compliance with the provisions of the Companies Act, 2013 (the Act), with respect to the RPTs within the meaning of the Act.

## **D. Role of Shareholders**

1. All the Material RPTs shall require approval of the shareholders of the Company through an Ordinary resolution and the related parties shall abstain from voting on such resolution.
2. To comply with the relevant provisions of the Companies Act, 2013 (the Act), all kinds of transactions specified in the Act, which requires shareholders' approval, shall be approved by the shareholders.

## **DISCLOSURE**

1. The Company will disclose the Policy on its website and web-link shall be provided in the Annual Report.
2. Appropriate disclosures as required under the Listing Regulation, 2015 and the Companies Act, 2013 will be made in the Annual Return, Board Report and to the Stock Exchange(s).

## **RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED**

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the ACB or Board of Directors or the Shareholders as may be required in accordance with this Policy for review and ratification.

The ACB or the Board of Directors or the Shareholders shall consider all relevant facts and circumstances of such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision or termination of such transaction and the Company shall take such actions as it deems appropriate under the circumstances.

## **MATERIALITY OF RELATED PARTY TRANSACTIONS**

Transactions with related party shall be considered as "material" if the transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements.

Further, transaction involving payments made to a related party with respect to brand usage or royalty shall be considered as "material" if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent (or such other percentage as may be specified by SEBI) of the annual consolidated turnover of the Company as per the last audited financial statements.

Additionally, the Company on an annual basis shall also set the limits for its projected related party transactions for approval by the Audit Committee and/or Board of Directors, as the case may be.

## **GENERAL**

The Board of Directors may review and amend this Policy from time to time but not later than three years from its last review or any other timeframe as may be stipulated under the applicable laws.

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