

THE MOTOR & GENERAL FINANCE LIMITED
CIN NO.L74899DL1930PLC000208

REVISED POLICY ON RELATED PARTY TRANSACTIONS ON APRIL 1,2022

1) INTRODUCTION, SCOPE AND PURPOSE OF THE POLICY:

The Motor & General Finance Limited (hereinafter referred to as the 'Company') recognizes that related party transactions can present actual or potential conflict of interests which may be against the best interests of the Company or its shareholders; hence, it transacts business with its related parties on an arm's length basis.

Pursuant to Regulation 23(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations (Listing Regulations), 2015, the Company is required to formulate a policy on materiality of related party transactions and dealing with related party transactions.

The Company has formulated guidelines for identifying related parties and maintaining proper documentation of all related party transactions in compliance with the provisions of Section 188 of the Companies Act, 2013 read with the Rules made thereunder and Regulation 23 of the Listing Regulations.

The Policy provides a framework for governance and reporting of related party transactions, including material transactions. Amendments from time to time to the Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee.

2) OBJECTIVE OF THE POLICY:

The Policy sets out the manner of dealing with the transactions between the Company and its related parties in compliance with the applicable laws and regulations as may be amended from time to time and to fix the materiality thresholds for related party transactions.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of related party transactions in the best interests of the Company and its shareholders.

3) DEFINITIONS:

"Board" means the Board of Directors as defined under the Companies Act, 2013.

"Audit Committee" means the Committee of the Board constituted from time to time under Regulation 18 of SEBI(LODR) Regulations,2015 and Section 177 of the Companies Act, 2013.

"Control" shall have the same meaning as defined in the SEBI (Substantial Acquisition and Takeover) Regulations, 2011.

"Key Managerial Personnel" shall mean Key Managerial Personnel as defined under Section 2(51) of the Companies Act, 2013.

"Employees" shall mean employees and office-bearers of the Company, including but not limited to Directors.



A transaction shall be construed to include a single transaction or a group of transactions in contract.

A transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction to be entered into individually or taken together with previous transactions during a financial year, exceeds two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“Relative” means a relative as defined under the Companies Act, 2013 and includes anyone who is related in any of the following manner –

- a. Members of a Hindu undivided family;
- b. Husband or wife;
- c. Father (including step-father);
- d. Mother (including step-mother);
- e. Son (including step-son);
- f. Son's wife;
- g. Daughter;
- h. Daughter's husband;
- i. Brother (including step-brother); or
- j. Sister (including step-sister).

4. PROCEDURE FOR APPROVING RELATED PARTY TRANSACTIONS:

- Approval by the Audit Committee of the Company

All related party transactions shall be entered into after prior approval of the Audit Committee. Based on the terms and conditions of a transaction, and applicable regulatory requirements, the Audit Committee shall recommend/refer it for the approval of Board of Directors or Shareholders.

The Audit Committee may grant omnibus approval for related party transactions proposed to be entered into by the Company subject to the following conditions:

- i. The Audit Committee shall lay down the criteria for granting omnibus approval in line with the policy on related party transactions and such approval shall be applicable in respect of transactions which are repetitive in nature;
- ii. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- iii. Such omnibus approval shall specify (a) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (b) 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;



- iv If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the company/ additional disclosure shall be made in accordance with provision contained under SEBI LODR.
- v 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'
- vi 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;
- vii Any other information relevant or important for the Committee to take a decision on the proposed solution.

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 for such transactions subject to their value not exceeding Rs.1 Crore per transaction;

- viii The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approval given; and
- ix Such omnibus approvals shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.

The Company shall lay down a globally accepted framework to assess whether transactions with related parties are done on arm's length. Tests shall be conducted on an ongoing basis to determine that the transactions are in "ordinary course of business" and on "arms' length".

Pursuant to Regulation 23(5)(b), prior approval of the Audit Committee shall not be necessary for transactions between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

Approval by the Board of Directors of the Company

Pursuant to the provisions of Section 188 of the Companies Act, 2013, all transactions specified under the said Section which are not in the ordinary course of business and on arm's length, shall be placed before the Board for its approval.

The following transactions with related parties shall also be placed before the Board for its approval:

- Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or on arm's length and decides to refer the same to the Board for approval;
- Transactions which are in the ordinary course of business and on arm's length, but which in the view of the Audit Committee requires approval of the Board; and



The terms **"Director, Company Secretary, Chief Financial Officer"**, shall have the same meaning as defined under 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 interests.

"Office or Place of Profit" means any office or place:

- i. where such office or place is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- ii. where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

"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 enunciated in the Memorandum and the Articles of Association. The Board and the Audit Committee may lay down principles for determining in the ordinary course of business in accordance with statutory requirements and other industry practices and guidelines.

"Material Related Party Transaction" means a transaction with a related party which 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 of the Company or Rs 1000 Crores whichever is lower.

"Related Party" means an individual, firm, entity, body corporate or person as defined under Section 2(76) of the Companies Act, 2013, or under applicable accounting standards and includes any person or entity belonging to the promoter or promoter group of the Company and holds 20% or more shareholding in the Company.

"Related Party Transaction" means any transaction for transfer of resources, services or obligations between the Company and any related party, regardless of whether a price is charged and includes but not limited to-

- 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 the 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; and
- g. Underwriting the subscription of any securities or derivatives thereof, of the Company.



- Related party transactions which are to be mandatorily approved by the Board under any law.

Threshold limits of related party transactions shall be approved by the Board of Directors and the Policy shall be reviewed by the Board of Directors at least once every three years and updated.

Approval of the Shareholders of the Company

All material related party transactions shall require approval of the shareholders 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 this shall not apply in respect of a resolution plan approved under Section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

All transactions enumerated in the first proviso to Section 188(1) of the Companies Act, 2013, which (a) are not in the ordinary course of business and on arm's length; and (b) exceeding the thresholds laid down in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, shall be approved by the shareholders.

4.1. STANDARDS FOR REVIEW

A RPT reviewed under this Policy will be considered approved or ratified if it is authorized by the Audit Committee or the Board or the Shareholders in the General Meeting, as applicable, in accordance with the standards set-forth in this Policy after full disclosure of the Related Party's interests in the transaction. As appropriate for the circumstances, the Audit Committee or Board, as applicable, shall review and consider:-

- a. the Related Party's interest in the RPT;
- b. the amount involved in the RPT;
- c. whether the RPT was undertaken in the ordinary course of business of the Company;
- d. whether the transaction with the Related Party is proposed to be, or was, entered on an arms' length basis;
- e. the purpose of and the potential benefits to the Company from the RPT, its related parties and/ or its subsidiaries;
- f. whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transaction, if any;
- g. whether the Company was notified about the RPT before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company; and
- h. Any other information regarding the RPT or the Related Party in the context of the proposed transaction that would be material to the Audit Committee/ Board/ Shareholders, as applicable in light of the circumstances of the particular transaction.



The Audit Committee/Board will review all relevant information available to it about the RPT. The Audit Committee or the Board, as applicable, may approve or ratify or recommend to the Shareholders the RPT already approved, only if the Audit Committee and/ or the Board, as applicable, determine that, under all of the circumstances, the transaction is fair and reasonable to the Company.

4.2. PROCEDURES FOR REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

- a. The Audit Committee shall undertake an evaluation of each RPT and subsequent modification in the RPTs already approved. If such evaluation indicates that the proposed transaction is not in the ordinary course of business and / or not at arm's length basis, then the Audit Committee shall report such RPTs, together with a summary of material facts, to the Board for its approval.
- b. If the Audit Committee is of the view that the RPT is Material RPT pursuant to provisions of Applicable Laws or the RPT is not in Ordinary Course of Business or not on Arm's length basis and crosses threshold limit as prescribed under the Applicable Laws and needs to be approved at a general meeting of the Shareholders, then the same shall be placed for prior approval of the Shareholders of the Company.
- c. If in case prior approval of the Audit Committee or the Board or the Shareholders in general meeting, as applicable, for entering into a RPT is not feasible/not obtained, then the RPT shall be ratified by the Audit Committee / the Board / Shareholders in the general meeting or by any other means as may be permissible under the Applicable Laws, if required, within three (3) months of entering into such a RPT.
- d. In the event the Audit Committee or the Board or the General Meeting determines not to ratify a RPT as stated in (c) above which has been already acted upon by the Company, then the Committee or the Board or the general meeting, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation of such RPT or approve modifications to such RPT to make it acceptable for ratification. The Audit Committee or the Board shall have an authority to modify or waive any procedural requirements of this Policy so long as such modification or waiver is not inconsistent with the provisions of the Applicable Laws.
- e. No Director or KMP shall participate in any discussion or approval of a RPT for which he or she is a Related Party, except that the Director / KMP shall provide all material information concerning such Related Party Transaction to the Audit Committee or the Board as appropriate.
- f. If the RPTs are repetitive in nature, the Audit Committee may grant omnibus approval in line with this policy.

