



## **MRF LIMITED**

### **POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS**

## **1. Preamble**

The Board of Directors (the “Board”) of MRF Limited (the “Company” or “MRF”), has, based on the recommendations of the Audit Committee, adopted the following policy and procedures with regard to Materiality of and dealing with related party transactions.

## **2. Purpose**

This policy is framed as per requirement of Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations,2015 ((herein after referred to as “Listing Regulations”). This policy is intended to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations. In the event of the Companies Act, 2013 or Listing Regulations being re-enacted in any other form, then this Policy will be deemed to have been framed as per such re-enacted provisions.

## **3. Definitions**

**“Audit Committee”** refers to the Committee of Board of Directors of the Company constituted under provisions of the Companies Act, 2013 and Listing Regulations.

**“Board”** means Board of Directors of the Company.

**“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

**“Key Managerial Personnel” (KMP)** means:

- (i) the Chairman & Managing Director, the Vice Chairman & Managing Director, Managing Director or the Chief Executive Officer or the Manager
- (ii) the Whole-time director(s);
- (iii) the Company Secretary;
- (iv) the Chief Financial Officer; and
- (v) Such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- (vi) Any other person as prescribed by rules under Section2(51) of the Companies Act, 2013.

**“Financial Year”** in relation to the Company means the period ending on the 31<sup>st</sup> day of March every year.

**“Material Related Party Transaction”** means any transaction/transactions to be entered into individually or taken together with previous transactions during a financial year exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the of the Company as per the last audited financial statements of the Company, whichever is lower.

Notwithstanding the above, 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 five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

**“Material Modifications”** means and include any modification to an existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.

**“Related Party”** – Related party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

“Provided that: (a) any person or entity forming a part of the promoter or promoter group of the listed entity; 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 listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party:”

#### **“Related Party Transaction”**

Related party transaction” means a transaction involving a transfer of resources, services or obligations between:

(i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or

(ii) a listed entity or any of its subsidiaries on 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 listed entity 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:

- (a) the 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;
- (b) the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
  - i. payment of dividend;
  - ii. subdivision or consolidation of securities;
  - iii. issuance of securities by way of a rights issue or a bonus issue; and
  - iv. buy-back of securities.
- (c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board;
- (d) retail purchases from any listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors:

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

“**Relative**” includes anyone who is related to another, if –

- i. They are members of a Hindu undivided family;
- ii. They are husband and wife; or
- iii. Father (including step-father)
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son’s wife
- vii. Daughter
- viii. Daughter’s husband
- ix. Brother (including step-brother)
- x. Sister (including step-sister)

“**Transaction** “with a related party shall be construed to include single transaction or a group of transactions in a contract.

Words and expressions not specifically defined hereinabove, shall be read and interpreted as per the Companies Act 2013 and the Listing Regulations or any statutory modification or re-enactment thereof.

#### **4. Identification of Related Parties**

- a. In cases where the related party relationship is brought about through Directors, KMP or through their relatives, such related parties will be identified by the Company based on various statutory disclosures required to be made by Directors / KMPs. Directors and KMPs shall give adequate and timely disclosures to enable the Company to identify such related parties.
- b. In cases where the related party relationship is brought about by shareholding or control exercised by the Company in another entity or vice versa, such related parties shall be identified based on such shareholding or control.
- c. The Company Secretary will maintain a complete list of all related parties which shall be updated as required. The list shall be provided to the functional departments concerned within the Company. The functional department shall ensure that any proposal to enter into any contract with a related party are intimated to the Company Secretary, in time, so that requisite approvals can be obtained.

#### **5. Approvals for related party transactions**

- a. All Related party transactions and subsequent material modifications shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation or any other manner as provided by the Companies Act, 2013 or Rules made thereunder and Listing Regulations.

Provided that only those Members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions.

- b. Audit Committee shall grant omnibus approval for related party transactions proposed to be entered into by the Company subject to the conditions specified in the Companies Act, 2013 and Regulation 23 of Listing Regulations.
- c. All related party transactions may also need to be approved by Board of Directors and Shareholders to the extent required by Companies Act, 2013 and Regulation 23 of Listing Regulations.
- d. Any member of the Committee / Board who has an interest in any Related Party Transaction will recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

- e. A summarised report of all related party transactions actually undertaken shall be placed for the review of the Audit Committee and the Board at the time of approval of financial statement.

## **6. Information to be reviewed by the Audit Committee for approval of Related Party Transactions**

Before approving Related Party Transactions, Audit Committee shall review the following:

- a. Type, material terms and particulars of the proposed transaction;
- b. Name of the related party and its relationship with the listed entity 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. The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT 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 listed entity 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, nature of indebtedness; cost of funds and; 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 RPT.
- g. Justification as to why the RPT is in the interest of the listed entity;
- h. A copy of the valuation or other external party report, if any 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 RPT on a voluntary basis;
- j. Any other information that may be relevant

The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

## **7. Disclosures**

- a. Details of Related Party Transactions shall be disclosed in the Board's Report as required under the relevant provisions of the Companies Act 2013 and also in the financial statements as required under the Accounting Standards.
- b. The listed entity shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website.
- c. This policy shall be published in such manner as required by applicable regulations.

## **8. Miscellaneous**

This Policy shall be read and interpreted in accordance with and subject to the provisions of Section 188 of the Companies Act, 2013 and rules made thereunder and Regulation 23 of the Listing Regulations and any amendment thereto and also any clarifications and circulars issued by appropriate authorities pursuant to applicable regulations.

## **9. Amendments**

The Audit Committee may, for the purpose of aligning this Policy with the regulatory changes, 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.

The Board may also make any amendments to the Policy from time to time, based on the recommendations of the Audit Committee.

Further, the Board will review this Policy from time to time as prescribed under the Companies Act, 2013 or Listing Regulations.

The Board may also establish further rules and procedures, from time to time, to give effect to this Policy.