

**JTEKT INDIA LIMITED**

**POLICY ON RELATED PARTY  
TRANSACTIONS**

## 1) Preamble

This Board of Directors (“the Board”) of JTEKT India Limited (“the Company”), has adopted the following policy and procedures with regard to Related Party Transactions (including materiality of related party transactions and dealing with related party transactions) as defined below. The Audit Committee is to review and shall, from time to time, recommend amendments, if any, in this policy to the Board.

This policy is applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company.

## 2) Purpose

This policy is primarily framed based on Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, hereinafter referred to as ‘Listing Regulations’ and the provisions of Companies Act, 2013 (the “Act”) including Rules made thereunder, and are primarily intended to ensure the governance and reporting of transactions between the Company and its Related Parties.

## 3) Definitions

**“Audit Committee or Committee”** means “Audit Committee” constituted by the Board of Directors of the Company under the provisions of Listing Regulations and Companies Act, 2013 from time to time.

**“Arms’ 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.”

**“Board or Board of Directors”** 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”** means key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) Managing Director, or Chief Executive Officer or manager and in their absence, a whole time Director;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer

**“Material Related Party Transaction”** means

- 1) A transaction with a related party shall be considered material, if the transaction(s) 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 listed entity as per the last audited financial statements of the listed entity, whichever is lower.

- 2) 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 listed entity as per the last audited financial statements of the listed entity.

**“Material Modification”** in relation to a Related Party Transaction approved by the Audit Committee or a material related party transaction approved by the Shareholders, as the case may be, material modification means any variation having an impact on the monetary limits already approved by the Audit Committee or Shareholders, as the case may be, exceeding 10% of transactions, in each over and above the approved limits.

**“Policy”** means this Policy on related party transactions (including materiality of related party transactions and dealing with related party transactions).

**“Related Party”** as per Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, means an entity shall be considered as related to the Company if:

1. any person or entity
  - (a) forming a part of the promoter or promoter group of the listed entity; or
  - (b) 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.

2. a related party as defined under Section 2(76) of the Companies Act, 2013; or
3. a related party as defined under applicable accounting Standards.

**“Related Party Transaction”** as per Listing Regulations, 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 by the listed entity 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:

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).

**“Related Party Transaction”** as per Companies Act, 2013, shall mean transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged. In addition, but not in derogation thereto, the related party transactions shall include:

- 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; and
- g) underwriting the subscription of any securities or derivatives thereof, of the company.

**“Relative”** means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –

- a) They are members of a Hindu undivided family;
- b) They are husband and 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);
- j) Sister (including step-sister)

#### 4) **Policy**

All Related Party Transactions and subsequent material modifications shall require the prior approval of the Audit Committee in accordance with this Policy and applicable

provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

#### 4.1 Procedures for review and approval of Related Party Transactions

- a) All Related Party Transactions or changes therein must be reported by the Chief Financial Officer, Head of Accounts Department, to the Compliance Officer and referred for prior approval by the Audit Committee in accordance with this Policy.
- b) The Audit Committee will undertake an evaluation of the Related Party Transaction. If that evaluation indicates that the Related Party Transaction would require the approval of the Board, or if the Board in any case elects to review any such matter, the Audit Committee will report the Related Party Transactions, together with a summary of material facts, to the Board for its approval.
- c) All material Related Party Transactions and subsequent material modifications as defined by the audit committee shall require prior approval of the shareholders through resolution pursuant to Companies Act, 2013 and any other applicable law, the same shall be put up for approval by the Shareholders of the Company and no Related Parties shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.
- d) If prior approval of the Board / general meeting for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Board / General Meeting, if required, within 3 months of entering in the Related Party Transaction.
- e) In any case where either the Audit Committee/ Board / a General Meeting determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or the General Meeting, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation of the transactions, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Audit Committee/ Board has authority to modify or waive any procedural requirements of this Policy.
- f) In determining whether to approve or ratify a Related Party Transaction, the Audit Committee/ Board will take into account, among other factors it deems appropriate, whether the Related Party Transaction is on term no less favourable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Party's interest in the transaction.
- g) Only those members of the audit committee, who are independent directors, shall approve related party transactions.

- h) If a Related Party Transaction will be ongoing, the Audit Committee may establish guidelines for granting the omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be in respect of transactions which are repetitive in nature.
- i) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- j) The omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative case price / current contracted price and the formula for variation in the price if 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, Audit committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1.00 crore per transaction.
- k) Thereafter, the Audit Committee, shall review at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
- l) The omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
- m) In addition, the Audit Committee/ the Board may review any Related Party Transactions involving independent directors as part of the annual determination of their independence.
- n) Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.

#### 4.2 Standards for Review

A Related Party Transaction reviewed under this Policy will be considered approved or ratified if it is authorised by the Audit Committee/Board, 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 Related Party Transaction;
- b) the approximate amount involved in the Related Party Transaction;

- c) the approximate amount of the Related Party's interest in the transaction without regard to the amount of any profit or loss;
- d) whether the Related Party Transaction was undertaken in the ordinary course of business of the Company;
- e) whether the transaction with the Related Party is proposed to be, or was, entered on an arms' length basis;
- f) the purpose of, and the potential benefits to the Company from the Related Party Transaction;
- g) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transaction, if any;
- h) Whether the Related Party Transaction includes any potential reputational risk issues that may arise as a result of or in connection with the Related Party Transaction;
- i) Whether the Related Party Transaction would impair the independence of an otherwise independent director or nominee director;
- j) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company;
- k) Whether the Related Party Transaction would present an improper conflict of interest, as per provisions of law, for any director or Key Managerial Personnel, taking into account the size of the transaction, the overall financial position of the Related Party, the director or indirect nature of the Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee/Board deems relevant.
- l) Required public disclosure, if any; and
- m) Any other information regarding the Related Party Transaction 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 Related Party Transaction. The Audit Committee/Board, as applicable, may approve/ ratify/ recommend to the shareholders, the Related Party Transaction only if the Audit Committee/Board, as applicable, determines in good faith that, under all of the circumstances, the transaction is fair as to the Company. The Audit Committee/ Board, in its sole discretion, may

impose such conditions as it deems appropriate on the Company or the Related Party in connection with approval of the Related Party Transaction.

#### 4.3 Determination of Ordinary Course of Business

“In the Ordinary Course of Business” means all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, in the normal routine in managing trade or business. The Company should take into account the frequency of the activity and its continuity carried out in a normal organised manner for determination what is in the ordinary course business.

#### 4.4 Determination of Arms’ length nature of the Related Party Transaction

##### a) Price Determination

At the time of determination, the arms’ length nature of price charged for the Related Party Transaction, the Audit Committee shall take into consideration the following:

- (i) Permissible methods of arms’ length pricing as per Applicable Law including such prices where the benefits of safe harbour is available under Applicable Law.
- (ii) For the said purposes the Audit Committee shall be entitled to rely on professional opinion in this regard.

##### b) Underwriting and Screening of arms’ length Related Party Transaction

- (i) A Related Party with whom the Related Party Transaction is undertaken must have been selected using the same screening / selection criteria / underwriting standards and procedures as may be applicable in case of an unaffiliated party.
- (ii) The Chief Financial Officer shall produce evidence to the satisfaction of the Audit Committee for having applied the said procedure.

#### 4.5 Identification of Potential Related Party Transactions

- a) Each director/Key Managerial Personnel is responsible for providing written notice to the Compliance Officer of any potential Related Party Transaction involving him or her or his or her relatives, including any additional information about the transaction that the Compliance Officer may reasonably request. The Compliance Officer in consultation with other members of management and with the Audit Committee, as appropriate, will



determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

- b) Every director/ Key Managerial Personnel of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such meeting.
- c) Where any director/ Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of Board held after he becomes so concerned or interested.
- d) A contract or arrangement entered into by the company without disclosure or with participation by a Director / Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Company.
- e) The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Compliance Officer has adequate time to obtain and review information about the proposed transaction and other matter incidental thereto and to refer it to the appropriate approval authority. Ratification of a Related Party Transaction after its commencement or even its completion may be appropriate in some circumstances.

#### 4.6 Disclosures

- a) The Company is required to disclose Related Party Transactions in the Company's Board's Report to shareholders of the Company at the Annual General Meeting.
- b) Details of all Material Related Party Transactions shall be disclosed quarterly along with Company's Compliance Report on Corporate Governance.
- c) The Company 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:
  - every six months within fifteen days from the date of publication of its standalone and consolidated financial results; and

- d) every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.
- e) The Company is also required to disclose this Policy on its website.
- f) The Company shall keep one or more registers of contracts or arrangements in which directors are interested, as per the provisions of the Companies Act, 2013.
- g) Disclosure regarding Related Party relationship and transactions with them are made in the Financial Statements as per the requirements of relevant Accounting Standards and the Listing Regulations.

**5) Amendments to the Policy**

The Board of Directors on its own and/or as per the recommendations of Audit committee can amend this policy, as and when deemed fit. Any or all provisions of this Policy are subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities found inconsistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

**6) Related Party Transactions not approved under the Policy**

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy prior to its consummation, the matter is to be reviewed by the Audit Committee. The Committee is to consider all the relevant facts and circumstances regarding the Related Party Transaction, and evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee is also to examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and take any such action it deems appropriate in accordance with the provisions of companies Act, 2013 and the Listing Regulations.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

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