



POLICY FOR CONSIDERATION AND APPROVAL

OF

RELATED PARTY TRANSACTIONS

1. PREAMBLE

Ashok Leyland Limited (hereinafter referred 'the Company') recognises that transactions between the Company and one or more of its Related Parties (more particularly referred to as 'Related Party Transactions' and defined hereinafter) present a risk of actual or potential conflicts of interest.

With a view to ensure that the Related Party Transactions are in the best interest of the Company and its shareholders, the Board of Directors (the 'Board') of the Company has adopted this Policy on Related Party Transactions (the/this 'Policy') in line with the requirements of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosures Requirements) (hereinafter referred to as SEBI LODR).

1.1 About the Company

The Company, a Subsidiary of Hinduja Automotive Limited, was established in the year 1948. The Company began its commercial operations in 1949. Growing from strength to strength over the last two decades, the Company today has emerged as a leading manufacturer of commercial vehicles.

1.2 Objective of the Policy

The Board of the Company, after considering the recommendation of the Audit Committee, has adopted the Policy and associated procedures with regard to the review, approval and reporting of Related Party Transactions. The Audit Committee may review and amend this Policy, from time to time, subject to approval of the Board. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions in this Policy and this Policy shall stand amended accordingly from the effective date as laid down under such amendment (s), clarification (s), circular (s) etc. The objective of this Policy is to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and its Related Parties in accordance with the Applicable Law.

The amendments to this policy effected pursuant to the notification of SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021 shall take effect from April 1, 2022.

2. DEFINITIONS

2.1 Applicable Law

'Applicable Law' means the Companies Act, 2013 ('the Act') and the Rules prescribed thereunder, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and includes any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.

2.2 Arm's Length Basis

'Arm's Length Basis' means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determining Arm's Length Basis, guidance may be taken from the transfer pricing provisions under the Income Tax Act, 1961.

2.3 Associate

'Associate' means a company as defined under section 2(6) of the Act, or under the Applicable Accounting Standards.

2.4 Audit Committee

‘Audit Committee’ means the Audit Committee of the Board constituted pursuant to the provisions of Section 177 of the Act read with Rules referred therein and SEBI LODR.

2.5 Body Corporate

‘Body Corporate’ means an entity as defined in Section 2(11) of the Act.

2.6 Director

‘Director’ means a person as defined in Section 2(34) of the Act.

2.7 Employees

‘Employees’ mean the employees and office-bearers of the Company, including but not limited to Whole-Time Directors.

2.8 Key Managerial Personnel

‘Key Managerial Personnel’ mean the officers of the Company as defined in Section 2(51) of the Act and Rules prescribed thereunder.

2.9 Ordinary Course of Business

‘Ordinary Course of Business’ means all such acts and transactions undertaken by the Company in the normal routine to conduct its business operations and activities and includes all such activities which the Company can undertake as per the Objects clause of the Memorandum of Association of the Company. The Company should take into account the frequency of the activity and its continuity carried out in a normal organised manner for determining what is in the Ordinary Course Business.

2.10 Material Modification

“Material Modification” shall mean an amendment to the terms of a transaction / agreement / commitment with / to a Related Party, the effect of which will be an increase over the approved limit for a transaction, by an amount more than Rs. 10 (Ten) Crore in a financial year or 20% (twenty per cent) of the approved limit, whichever is higher.

Provided that material modifications shall be deemed to include the following, without application of the above criteria:

- a) In case of a loan or deposit or any other means of funding, any deviation in the objects or purposes for which the loan or deposit was given or funding was made or received;
- b) In case of any other transaction or agreement, any amendment which will have an effect of:
 - (i) deferring the consummation of such transaction or agreement by a period beyond one year from the existing approved term / period; or
 - (ii) renewing or extending the term of the transaction or agreement for a period exceeding one year of its existing approved term / period.

Provided further that any modification to the transactions / agreements entered into:

- a) for sale, purchase or supply of any goods or materials or availing or rendering of any services in the ordinary course of business and on arm’s length basis;
- b) between the Company and its wholly owned subsidiary;

- c) transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the annual general meeting for approval.

2.11 Material Related Party Transaction

‘Material Related Party Transaction’ means a transaction with a Related Party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year exceeds Rs. 1000 crore or 10 % of the annual consolidated turnover of the Company as per its latest audited financial statements, whichever is lower or such other limits as may be prescribed in SEBI LODR.

However, 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.

2.12 Promoter and Promoter Group

‘Promoter’ and ‘Promoter Group’ shall have the meaning assigned to it under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 or any amendment thereof.

2.13 Related Party

An entity shall be considered as related to the Company if any of the following condition applies:

- a. The entity is a related party as defined in Section 2(76) of the Act;
- b. The entity is a related party as defined in Regulation 2(zb) of the SEBI LODR;
- c. The entity is a related party under the applicable Accounting Standards.

2.14 Related Party Transactions

‘Related Party Transactions’ means such transactions directly or indirectly involving any Related Party as referred in Section 177 and 188 of the Act and Rules prescribed thereunder or Regulation 2(zc) of the SEBI LODR including any amendment or modification thereof, as may be applicable.

In line with Regulation 2(zc) of the SEBI LODR, a Related Party Transaction means involving a transfer of resources, services or obligations regardless of whether a price is charged between:

- (i) the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand.

Related Party Transactions shall be construed to include a single transaction or a group of transactions in a contract.

2.15 SEBI LODR

‘SEBI LODR’ means the regulations as contained in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) including any amendment or modification thereof.

2.16 Senior Management

“Senior Management” means personnel of the Company who are members of its core management team excluding Board comprising all members of management one level below the Senior Vice-president, including the functional heads.

2.17 Subsidiary

'Subsidiary' means a company as defined in Section 2(87) of the Act read with relevant Rules prescribed thereunder.

2.18 Any other term not defined herein shall have the same meaning as defined in the Act, the SEBI LODR, Securities Contracts (Regulation) Act, 1956 or any other applicable Law or Regulation in force.

3. RELATED PARTY TRANSACTIONS UNDER THE POLICY

3.1 The Company deploys both technical and commercial expertise in managing the functions of viz., Sales, Marketing, Sourcing, Finance, Internal Audit and Secretarial. The Company also has structured delegation of authority. The Senior Management is educated on Related Party Transactions.

Related Party Transactions, whether under the Act or under the Income Tax Act, 1961 including nuances and changes therein are informed to the Senior Management from time to time by the Corporate Finance team including those in Direct and Indirect Taxations. As a matter of policy, regardless of whether an entity is a Related Party or not, there is an inherent mechanism by which comparative quotes are obtained from more than one source before fixing prices in respect of procurements. When it comes to pricing of sale transactions, there is no specific guideline or instruction for any concessional approach to be adopted for sale transactions with Related Parties.

3.2 Any transfer of resources, services or obligations between the Company and a Related Party, would get covered as a 'Related Party Transaction', whether or not, there is an element of consideration or price.

3.3 Approval Process

3.3.1 Approval of the Audit Committee

1. All Related Party Transactions and subsequent material modifications require the prior approval of the Audit Committee.

However, this requirement of seeking a prior approval of the Audit Committee would not apply in cases where Company's subsidiary is a party but the Company is not a party and the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10 per cent of the Company's annual consolidated turnover, as per the last audited financial statements.

2. Matters relating to the approval of Related Party Transactions shall be considered and approved by only the Independent Directors of the Audit Committee.
3. The Audit Committee may review the following information for approval of the proposed Related Party Transaction:
 - a. Type, material terms and particulars of the proposed transaction;
 - b. Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
 - c. Tenure of the proposed transaction (particular tenure to be specified);
 - d. Value of the proposed transaction;
 - e. The percentage of the Company'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 Related Party Transaction.
 - g. Justification as to why the Related Party Transaction 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.
4. 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 this Policy 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) 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. 1 crore per transaction;
 - d) 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;
 - e) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.
5. The Audit Committee shall also undertake an evaluation of the Related Party Transaction in terms of it being in the ordinary course or arm's length basis line with Section 188 of the Companies Act, 2013. If that evaluation indicates that the Related Party Transaction would require further approval of the Board, or if the Board in any case considers to review any such matter, the Audit Committee shall report the Related Party Transaction, together with a summary of material facts, to the Board for its review/approval as the case may be.
6. The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

3.3.2 Approval of the Board

1. Related Party Transactions referred under Section 188(1)(a) to (g) of the Act that which are not in the ordinary course of business or at arm's length basis require the prior approval of the Board.

3.3.3 Approval of the shareholders

1. All Material Related Party transactions and subsequent material modifications require the prior approval of the shareholders.
2. Related Party Transactions referred under Section 188 of the Act that which are not in the ordinary course of business or at arm's length basis which exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 requires the approval of the shareholders.
3. For this purpose, no related party shall vote to approve the relevant resolution irrespective of whether the entity is a related party to the particular transaction or not.
4. The notice that is sent to the shareholders seeking approval for any proposed Related Party Transaction shall contain the following information:
 - (a) name of the related party;
 - (b) name of the director or key managerial personnel who is related, if any;
 - (c) nature of relationship;
 - (d) nature, material terms, monetary value and particulars of the contract or arrangements;
 - (e) any other information relevant or important for the members to take a decision on the proposed resolution.
 - (f) A summary of the information provided by the management of the listed entity to the audit committee.
 - (g) Justification for why the proposed transaction is in the interest of the listed entity;
 - (h) Where 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,
 1. nature of indebtedness;
 2. cost of funds; and
 3. 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 Related Party Transaction.
 - (i) A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders;
 - (j) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed Related Party Transaction, on a voluntary basis;
 - (k) Any other information that may be relevant.

3.4 Related Party Transactions not approved under this Policy

1. If prior approval of the Audit Committee or Board or shareholders for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee and the Board or shareholders, if required, within 3 months of entering in the Related Party Transaction.
2. In any case where either the Audit Committee or Board or shareholders determine not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or the shareholders, 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 satisfactory for ratification. In connection with any review of a Related Party Transaction,

the Audit Committee or Board has authority to modify or waive any procedural requirements of this Policy.

3. In determining whether to approve or ratify a Related Party Transaction, the Audit Committee or Board shall consider whether the Related Party Transaction is on reasonable terms having regard to the circumstances of the case and the extent of the Related Party's interest in the transaction.

3.5 Related Party Transactions not requiring Approval:

The following transactions shall not require separate approval under this Policy:

- (ii) Any transaction that involves the providing of compensation to a Director or Key Managerial Personnel, in accordance with the provisions of the Act, in connection with his or her duties to the Company or any of its Subsidiaries or Associates, including the reimbursement of reasonable business and travel expenses incurred in the Ordinary Course of Business;
- (iii) Indemnification and advancement of expenses made pursuant to any agreement or bylaws of the Company;
- (iv) the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - a) payment of dividend;
 - b) subdivision or consolidation of securities;
 - c) issuance of securities by way of a rights issue or a bonus issue;
 - d) buy-back of securities.
- (v) 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
- (vi) Any transaction entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval;
- (vii) transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval;
- (viii) Contributions towards Corporate Social Responsibility, subject to approval of Corporate Social Responsibility Committee and within the overall limits approved by the Board;
- (ix) Any other exception which is consistent with the Applicable Law, including any Rules or Regulations made thereunder, and approved in advance by the Audit Committee.

4. DISCLOSURE BY DIRECTORS/ KEY MANAGERIAL PERSONNEL

- Each Director and Key Managerial Personnel of the Company shall promptly notify the Company / Company Secretary of any potential Related Party Transaction involving him or her or his or her Relatives, including any additional information about the transaction that the Company Secretary of the Company shall reasonably request. The Company Secretary, in consultation with other members of management and an independent counsel, as appropriate, shall determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy. Ratification of a Related Party Transaction after its commencement or even its completion may be appropriate in some circumstances.
- Every Director or 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.

- Where any Director or Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he/she shall, if he/she becomes concerned or interested after the contract or arrangement is entered into, disclose his/her concern or interest forthwith when he/she becomes concerned or interested or at the first meeting of the Board held after he/she becomes so concerned or interested.
- A contract or arrangement entered into by the Company without disclosure or with participation by a Director or 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.
- In addition, each Director or Key Managerial Personnel is required to make disclosures of the entities in which they or their Relatives are or are deemed to be interested, in the prescribed format under Applicable Law.
- Any Director or Key Managerial Personnel who has been convicted of the offence dealing with Related Party Transactions at any time during the last preceding five years shall be disqualified for appointment as Director / Key Managerial Personnel, as the case may be.

5. GUIDING PRINCIPLES FOR REVIEW OF RELATED PARTY TRANSACTIONS

5.1 Overall

To review a Related Party Transaction, the Board or Audit Committee shall be provided with all the relevant information pertaining to the Related Party Transaction, including the terms of the transaction, the purpose and potential benefits to the Company of the transaction and any other information regarding the Related Party Transaction or the Related Party in the context of the proposed transaction, as may be considered material by the Audit Committee or Board or shareholders and as may be applicable in the light of circumstances of a particular transaction. In determining whether approval needs to be accorded to a Related Party Transaction, the Board or Audit Committee shall consider the following factors:

- Whether the terms of the Related Party Transaction are fair to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- 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;
- Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall interest of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director, Key Managerial Personnel or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board or Audit Committee deem fit to consider.

The Audit Committee or 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. Further, the Audit Committee or Board reserves the authority to modify or waive any procedural requirements of this Policy.

5.2 Guidelines on Determination of Arm's length nature of the Related Party Transactions

1. Any single transaction with Related Party in excess of Rs.25 Crore be principally informed to the Audit Committee members indicating the salient features of the transaction and how the transaction is at 'Arm's Length'.

At the time of determining the Arm's Length Basis of price charged for the Related Party Transaction, the Audit Committee shall inter- alia take into consideration the following:

- i. Permissible methods of Arm's 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 is entitled to rely on professional opinion in this regard.

The Company relies on professionals and experts in the field of Company Law, Accounting and Taxation to review, certify and report on transactions, including those with Related Parties.

2. The management of the Company should ensure periodically that all transactions with Related Parties – be they on a single source basis or otherwise – are on an 'Arm's Length' basis.

6. DISCLOSURES

- The Company shall disclose this Policy on its website and a web link thereto shall be provided in the Annual Report.
- The Company shall submit the requisite disclosures to the Stock Exchanges as prescribed under SEBI LODR from time to time.
- The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any Related Party.

In case of any subsequent changes in the provisions of the Companies Act or any other regulations, including the SEBI LODR Regulations, which makes any of the provisions in the Policy inconsistent with the Companies Act or such other regulations, such provisions of the Companies Act or such other regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

Amended and approved by the Board at its meeting held on February 11, 2022