

POLICY ON MATERIALITY AND DEALING WITH RELATED PARTY TRANSACTIONS

1. Background:

The Board of Directors (the “Board”) of Automobile Corporation of Goa Limited (the “Company” or “ACGL”), has adopted the following policy and procedures with regard to Materiality and dealing with Related Party Transactions as defined below.

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

2. Objective of the Policy:

This policy is framed as per requirement of revised Clause 49 of the Listing Agreement entered by the Company with the Bombay Stock Exchange and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. The Company is required to disclose such transactions as prescribed under the revised Clause 49 of the Listing Agreement and the Companies Act, 2013 (“the Act”). The objective of this policy is to set out (i) the materiality thresholds for related party transactions and; (ii) the manner of dealing with the transactions between the Company and its related parties based on the Act, Clause 49 and any other laws and regulations as may be applicable to the Company.

3. Definitions

3.1 “Arm’s Length Transaction” means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.

3.2 “Ordinary Course of Business” means a transaction which is;

- carried out in the normal course of business envisaged in accordance with the Memorandum of Association (“MoA”) and the Articles of Association (“AoA”) of the Company as amended from time to time or
- historical practice with a pattern of frequency, or
- common commercial practice, or
- meets any other parameter/criteria as decided by the Board/Audit Committee.

3.3 “Relative” in relation to a related party shall have the same meaning assigned to in Section 2(77) of the Act.

3.4 “Related Party” means Related Party as defined under Section 2 (76) of the Act and/or the revised Clause 49 of the Listing Agreement.

Reference and reliance may be placed on the clarification issued by the Ministry of the Corporate Affairs, Government of India and Securities and Exchange Board of India and other Authorities from time to time on the interpretation of the term “Related Party”.

3.5 “Related Party Transaction” (RPT) means all transactions between the Company on one hand and one or more related party(ies) on the other hand including contracts, arrangements and transactions as envisaged in Section 188(1) of the Act and/or Clause 49 of the Equity Listing Agreement

3.6 “Material Related Party Transaction” will have the same meaning as defined in Clause 49 of the Listing Agreement.

3.7 “Policy” means this Policy.

3.8 “Key Managerial Personnel” (KMP) 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;
- (iii) Chief Financial Officer: and
- (iv) Any other person appointed as the KMP by the Board of Directors of the Company

- 3.9 “Board of Directors or Board” means the collective body of the Directors of the Company.
- 3.10 “Audit Committee” means the Audit Committee constituted by the Board of Directors of the Company in accordance with Section 177 of the Act and the Clause 49 of the Listing Agreement.
- 3.11 “Chief Executive Officer (CEO)” means a person appointed as the Chief Executive Officer of the Company.
- 3.12 “Managing Director” means Managing Director as defined in Section 2(54) of the Act.
- 3.13 “Whole-time Director” means Whole-time Director as defined in Section 2(94) of the Act.
- 3.14 “Chief Financial Officer (CFO)” means a person appointed as the Chief Financial Officer of the Company.
- 3.15 “Company Secretary (CS)” means a Company Secretary as defined in Section 2(24) of the Act.
- 3.16 “Transaction” shall be construed to include single transaction or a group of transactions in a contract.

4 Materiality Thresholds:

Clause 49 of the Listing Agreement requires a company to provide materiality thresholds for transactions beyond which the shareholders’ approval will be required by way of a Special Resolution. ACGL has fixed its materiality threshold at 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company for the purpose of Clause 49 (VII) (C) of the Listing Agreement.

5. Manner of Dealing with Related Party Transactions:

All proposed Related Party Transactions must be reported to the Audit Committee to obtain their approval in accordance with this Policy. In dealing with Related Party Transactions, the Company will follow the following approach:

i) Identification of Related Parties

- All Related Party Transactions must be brought to the notice of the Audit Committee of the Company.
- Any employee of the Company who is aware of any transaction that is or may be perceived to be a Related Party Transaction is required to bring the same to the attention of the Audit Committee of the Company through Company Secretary.
- All Directors, Members of the Management Committees and Key Managerial Personnel (KMPs) shall provide notice to the Company of their interest (including interest of their Relatives) in other companies, firms or concerns at the beginning of every financial year and any change in such interest during the year. In addition, all Directors, Members of the Management Committee and KMPs shall provide notice to the Company Secretary of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Audit Committee may request. The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction is in the ordinary course of business and on an arm’s length basis and for this purpose, the Company may seek external professional opinion, if necessary.

- The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

ii) Procedure for approval of Related Party Transaction

- All Related Party Transactions shall require approval of the Audit Committee as specified in the Regulations.
- Unless otherwise stated in this policy, all Related Party Transactions require prior approval of the Audit Committee of the Company. All Related Party Transactions must be reported to the Company Secretary who shall submit the same for approval or ratification by the Audit Committee in accordance with this policy.
- The Audit Committee shall grant omnibus approval to Related Party Transactions that are Repetitive in nature. The Audit Committee shall satisfy itself the need for such approval and that such approval is in the interest of the company.
- Such 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 value and the formula for variation in the value, if any and (iii) such other conditions as the Audit Committee may deem fit;
- However, in case of Related Party Transactions which can not be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs 1 crore per transaction.
- Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
- The Audit Committee shall on quarterly basis review the details of the Related Party Transactions entered into by the Company pursuant to the omnibus approval.
- In an unforeseen event where a Related Party Transaction, for which Omnibus approval has not been given by the Audit Committee, needs to be entered due to business exigencies between two Audit Committee meetings, the Audit Committee may approve such Related Party Transaction by passing a resolution by circulation, after satisfying itself that such transaction is in the interest of the Company.
- Ratification, if any, of a Related Party Transaction after its commencement or completion will be approved by the Audit Committee in exceptional circumstances only.
- A Related Party Transaction entered into without prior approval of the Audit Committee shall not be deemed to violate this policy, or be invalid or unenforceable, so long as the transaction is brought to the Audit Committee for ratification as promptly as reasonably practical after it is entered into and such transaction is ratified.
- Any member of the Audit Committee, who has a potential interest in any Related Party Transaction, will recuse him or herself and abstain from voting on the approval or ratification of such Related Party Transaction. Such member may, however, participate in discussions with respect to other Related Party Transactions placed for approval or ratification of the Audit Committee.
- All Related Party Transactions that are not in the ordinary course of business or not on arm's length basis shall be referred to the Board of Directors for their approval. Any member of the Board who has a potential interest in such Related Party Transaction will recuse him or herself and abstain from voting on the approval of such Related Party Transaction. Such member may, however, participate in discussions with respect to other Related Party Transactions placed for approval of the Board.
- Any such Related Party Transactions shall also be placed for prior approval of shareholders if it exceeds the thresholds as prescribed under the Companies Act, 2013 and rules framed there under and the Listing Agreement. All entities falling under the definition of Related Parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

iii) Related Party Transactions that shall not require Approval

Following transactions shall not require separate approval under this policy:

- Any transaction pertaining to appointment and remuneration of Directors and KMPs that has already been approved by the Nomination and Remuneration Committee of the Company or the Board;
- Transactions that have been approved by the Board under the specific provisions of the Companies Act, e.g. inter-corporate deposits, borrowings, investments with or in wholly owned subsidiaries or other Related Parties;
- Payment of Dividend;
- Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off, approved by the Board and carried out in accordance with the specific provisions of the Companies Act, 2013 or the Listing Agreement;
- Contribution to Corporate Social Responsibility (CSR), subject to approval of CSR Committee and within the overall limits approved by the Board of Directors of the Company.

6. Material Related Party Transactions:

Material Related Party Transactions proposed must be reported to the Audit Committee and Board for their prior approval and subsequently placed before the Shareholders in a General Meeting for seeking their approval by way of Special Resolution. Such Transactions should not be consummated before the approval of the Shareholders.

7. Deemed Approval of Related Party Transactions:

Considering the significant amount of time expected to be spend to approve of Related Party Transactions, the Audit Committee may delegate the authority to the Executive Director and /or Chief Financial Officer ('CFO') of the Company to approve the Related Party transactions which are below the value of Rs_____ (individual or cumulative in a year), provided the transactions are in the ordinary course of business as at arm's length pricing basis. All such CFO approved transactions would be deemed approved by the Committee. A summary of all such Transactions would be placed before the next Audit Committee Meeting for its review and noting.

8. Amendment to the Policy:

The RPT policy will be reviewed, approved and amended from time to time by the Audit Committee and the Board of Directors of the Company.

9. Disclosures:

Disclosures with respect to RPT shall be made from time to time as per the applicable provisions.

Date _____

Approved by the Audit Committee _____

Approved by the Board _____