



**Policy on materiality of Related Party Transactions and dealing with Related Party Transactions**

**Amara Raja Energy & Mobility Limited**

*(Formerly Amara Raja Batteries Limited)*

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

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**1. Preamble**

The Companies Act, 2013 along with the rules made there under ('Act'), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015 ('Listing Regulations') as amended from time to time, read with Securities and Exchange Board of India (SEBI) circulars, guidance notes, etc require the companies to adopt a comprehensive policy on materiality of related party transactions and dealing with related party transactions, including compliance with Regulation 23 read with Schedule XII of the Listing Regulations, as amended from time to time.

In the context of above, in compliance with the provisions of the Act and Listing Regulations, the Board of Directors ("Board") of Amara Raja Energy & Mobility Limited ('ARE&M' or 'the company'), has adopted a policy on materiality of Related Party Transactions and dealing with Related Party Transactions (this 'Policy').

This policy *inter-alia* encompasses the process for identification of related parties, the procedure for entering into related party transactions, proper approval at various levels, disclosures and reporting of transactions between the company and its related parties, criteria and procedure for approving the related party transactions including determining its materiality etc.

**2. Definitions**

**"Audit Committee or Committee"** means Committee of Board of Directors of the Company constituted under provisions of Regulation 18 of the Listing Regulations and Section 177 of the Act as amended from time to time.

**"Board"** means Board of Directors of the Company as constituted from time to time.

**"Key Managerial Personnel or KMP"** means Key Managerial Personnel as defined under Section 2(51) of the Act and the Rules made thereunder.

**"Material Related Party Transaction"** means a transaction with a Related Party which, individually or taken together with previous transactions during a financial year, meets the materiality thresholds prescribed under Regulation 23 of the Listing Regulations read with Schedule XII thereto, as amended from time to time, based on the annual consolidated turnover of the Company as per the last audited financial statements.

As on date, 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 the following threshold criteria:

| <b>Annual Consolidated Turnover of Company as per latest audited financials</b> | <b>RPT considered material if transaction is:</b>   |
|---|---|
| up to ₹20,000 crore   | > 10% of annual consolidated turnover   |
| ₹20,001–₹40,000 crore   | > ₹2,000 crore + 5% of annual consolidated turnover above ₹20,000 crore                                       |
| above ₹40,000 crore   | > ₹3,000 crore + 2.5% of annual consolidated turnover above ₹40,000 crore or ₹5000 Crores, 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 exceeds five per cent of the annual consolidated turnover of the Company as per the last audited consolidated financial statements of the Company in a manner prescribed under Regulation 23 of the Listing Regulations.

**“Material modifications”** means any modification(s) to the related party transaction during the financial year that will change the complete nature of the transaction and/or which may involve any changes in terms of price, quantity etc. beyond 20%, which were taken into consideration by Audit Committee and/or Shareholders, while approving the original related party transaction, in a manner prescribed under Regulation 23 and Schedule XII of the Listing Regulations.

**Explanation:** Any change in price, quantity or other terms of the Material Related Party Transactions, which are market-driven or based on factors beyond the control of the Company shall not be considered as material modification, as long as the same is on arm’s length basis.

**“Policy”** means this Policy as amended from time to time.

**“Related Party”** means a person or an entity defined as a related party under Section 2(76) of the Act read with relevant rules made thereunder or under the applicable accounting standards as amended from time to time and clause (zb) of Regulation 2 of the Listing Regulations i.e

- a) Any persons or entities forming part of promoter or promoter group;
- b) Any person or entity holding equity shares of **10%** or more, in the Company, either directly or on a beneficial interest basis, at any time during the immediately preceding financial year;

**“Related Party Transactions” or RPT”** means any transaction(s) including transfer of resources, services or obligations between the Company and its related party, regardless of whether a price is charged or not. This includes the transactions as defined under clause (a) to (g) of subsection (1) of Section 188 of the Act and the corresponding Rules thereto; as defined in clause (zc) of Regulation 2 of the Listing Regulations, including any amendments thereto.

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:

- 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;
- the following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholdings:
  - payment of dividend;
  - subdivision or consolidation of securities;
  - issuance of securities by way of a rights issue or a bonus issue; and
  - buy-back of securities.

Further the Related Party Transactions approved by other statutory board committees within their terms of reference viz. Nomination & Remuneration Committee, Corporate Social Responsibility Committee, Risk Management Committee and Stakeholders Relationship Committee, if any, shall be deemed to have the approval of the Audit Committee from the RPT perspective and the same

need not be approved by the Audit Committee once again. E.g.: contribution towards CSR approved and recommended by the CSR Committee; shall be deemed to have the approval of the Audit Committee from the RPT perspective

**Explanation:** Any words used in the Policy but not defined herein shall have the same meaning ascribed to it in the Act or Rules made thereunder, Listing Regulations, Indian Accounting Standards or any other relevant legislation / law applicable to the Company. Also, in case of any amendment to the Act or Listing Regulations, to the definitions defined above, the text of such definitions will be deemed to be changed as per the amended Listing Regulations/Act without any further approval of the Audit Committee or Board.

### **3. Policy**

#### **3.1. Identification of related party transactions**

The List of related parties shall be identified based on the definitions given above, taking into consideration the timely disclosures and declarations submitted by each Director and Key Managerial Personnel (KMP), at the time of appointment, annually and whenever there is any change in the information already submitted.

Each director and KMP is responsible to inform, through an advance notice, to the Company Secretary regarding any potential related party transaction contemplated by the Company, involving them or their relative(s). They will also arrange for, any additional information about the proposed transaction that the management/Audit Committee/ the Board may request, for being placed before the Audit Committee and the Board for their consideration.

The Company strongly prefers to receive such notice of any potential related party transaction well in advance (at least a month before the Audit Committee/Board meeting) so that the Committee/ Board has adequate time to obtain and review the information about the proposed transaction and seek further information, if so required.

The potential transactions with the Related Parties, as per the above-mentioned list, shall be identified and a comprehensive proposal shall be submitted with details as per this Policy and applicable laws for requisite prior approval.

The Audit Committee/Board will determine whether the transaction does, in fact, constitute a related party transaction requiring compliance under this policy and if found in order, shall approve the transaction.

#### **3.2. Review and Approval of Related Party Transactions**

##### **3.2.1. Approval of the Audit Committee**

- i. Subject to Regulation 23 of the Listing Regulations, all Related Party Transactions shall require prior approval of the Audit Committee, and such approval shall be granted only by the Independent Directors who are members of the Audit Committee.
- ii. Any member of the Committee having a direct or indirect interest in any Related Party Transaction will not participate during the discussion and voting on the approval of the Related Party Transaction(s).
- iii. Prior approval of Audit Committee is required for the following Related Party Transactions:
  - a. Where Company is a party;

- b. Where the Company is not a party, but subsidiary of the Company is a party, if the value of such transaction exceeds INR 1 crore, individually or collectively over a financial year:
- i. In case the subsidiary has latest audited financial statements of at least one year available, if the transaction exceeds lower of the following:
    - Ten percent of the Annual Standalone Turnover of the subsidiary as per latest audited financial statements; or
    - The threshold for material related party transactions of Company as specified in Schedule XII of the Listing regulations
  - ii. In case, the subsidiary does not have audited financial statements of at least one year, if the transaction exceeds lower of the following:
    - ten percent of the aggregate value of paid-up share capital and securities premium account of subsidiary (taken as on a date, not older than three months prior to the date of seeking approval of the audit committee); or
    - The threshold for material related party transactions of Company as specified in Schedule XII of the Listing regulations
- c. Transaction of the Company and/or its subsidiaries with unrelated parties, the purpose and effect of which is to benefit the Related parties of the Company or any of its subsidiaries.
- iv. The Audit Committee may ratify transactions entered into with related parties, within the time frame and in manner as specified in the Act and Listing Regulations.
  - v. The Audit Committee may also grant omnibus approval for the Related Party Transactions proposed to be entered into by the Company and its subsidiaries, which are routine and repetitive in nature, if the transactions satisfy the following conditions:
    - a. Such Related Party transactions are foreseen and repetitive in nature;
    - b. Specific need of such omnibus approval;
    - c. The transactions are in the best interest of the Company.
  - vi. The omnibus approval shall specify (a) the name/s of the Related Party, (b) nature of transaction, (c) duration/period of transaction, (d) maximum amount of transaction that can be entered into, (e) the indicative base price / current contracted price and the formula for variation in price, if any and (f) such other conditions as the Audit Committee may deem fit;
  - vii. Where the need for Related Party Transactions cannot be foreseen and the aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees One crore per transaction.
  - viii. The omnibus approval referred hereinabove shall be based on the criteria specified in clause 4.1 of this Policy.
  - ix. Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval to be effective after the expiry of such financial year.
  - x. The Audit Committee shall review the details of each Related Party Transaction undertaken by

the Company and its subsidiaries, pursuant to such omnibus approval accorded for that year, on a quarterly basis.

- xi. In case the Committee does not approve any transaction, then it shall make its recommendations to the Board.

### **3.2.2. Approval of the Board of Directors**

The following related party transactions shall be subject to approval of the Board.

- a. All transactions with the related parties which are not in the Ordinary Course of Business or not executed at an Arm's Length basis and does not exceed the threshold limits as may be prescribed under the Act and the Rules made thereunder, shall require approval of the Board of Directors by way of a resolution at a meeting of the Board.
- b. Transactions which are not approved by the Audit Committee or in the opinion of the Audit Committee need special consideration/determination by the Board, may be recommended to the Board for its approval.
- c. Where it is mandatory under any law for Board to approve Related Party Transactions.

Any director concerned or interested in any potential Related Party Transaction, shall abstain from discussion and voting when such transaction is being considered, at the meeting.

### **3.2.3. Approval of the shareholders**

The following related party transactions shall be subject to approval of the shareholders of the Company -

- a. All material related party transactions and subsequent material modifications, as determined under the Act and Regulation 23 read with Schedule XII of the Listing Regulations, with respect to the Company or its unlisted subsidiary(ies) requiring approval of the shareholders through resolution prior or otherwise.
- b. Related Party Transactions, which are not in the Ordinary Course of Business or not executed at an arm's length basis and exceeding the threshold limits as may be prescribed under the Act and the Rules made thereunder as amended from time to time.

The omnibus approval granted by the shareholders for material related party transactions in an annual general meeting shall be valid as per the requirements of the Act and Listing Regulations.

Approval of shareholders shall not be required, if any such transaction is exempt from seeking such approval under Act or Listing Regulations. Further, related party transactions entered into by any listed subsidiary of the Company are exempt from approval of shareholders of the Company.

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Act, include such information as a part of the explanatory statement as may be notified by SEBI from time to time.

### **3.2.4. Mechanism for determining ordinary course of business and arm's length basis:**

The KMP or the Committee/ Board shall consider the following while determining whether a transaction is in the ordinary course of business or at arm's length basis:

- a. **“Ordinary Course of Business”** refers to all transactions or activities that are necessary, normal and incidental to the business of the Company, and the objects of the Company permit such activity, shall be deemed to be in the ordinary course of business. These may also be common practices and customs of commercial transactions with a pattern of frequency.

To decide whether an activity which is carried on by the business is in the ‘ordinary course of business’, the following indicative factors may be considered:

- i. Whether the activity is covered in the objects clause of the Memorandum of Association
- ii. Whether the activity is in furtherance of the business.
- iii. Whether the activity is normal or otherwise routine for particular business (i.e. activities like advertising, staff training, etc.
- iv. Whether the activity is repetitive/frequent.
- v. Whether the income, if any, earned from such activity/transaction is treated as business income in the financial statements of the Company.
- vi. Whether the transactions are common in the particular industry.
- vii. Whether there is any historical practice to conduct such activities.
- viii. Whether, in case of activities relating to mergers, acquisitions, reconstruction etc., such transactions for organic & inorganic growth are common to industry to which the Company belongs.

The above list is not exhaustive.

- b. **“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.

In this regard, the following guidelines can be used for determining the arms’ length basis:

- whether the terms of the transaction are fair and would apply on the same basis if the transaction did not involve a Related Party;
- whether there are any compelling business reasons to enter into the transaction and the nature of alternative transactions, if any;
- whether the transaction would affect the independence of an independent director;
- whether the transaction poses any consequential potential reputational risk issues.

For determining the arms’ length pricing, the Transfer Pricing guidelines issued by the relevant authorities under the provisions of Income Tax may be used to determine these criteria on a case-to-case basis.

The determination of ordinary course of business and arm’s length basis shall also be in compliance with Regulation 23 of the Listing Regulations and guidance issued by SEBI from time to time.

#### **4. Procedure and criteria for approving Related Party Transactions**

- 4.1 As approved by the Board of Directors, the Audit Committee has specified the following criteria for granting omnibus approval:

- a. The maximum value of the transactions in aggregate, which can be allowed under omnibus route in a year will be 25% of Annual Consolidated Turnover of the Company as per the last audited financial statement;
  - b. The maximum value per transaction under omnibus route will be up to 5% of the Annual Consolidated Turnover;
  - c. While assessing any proposal, the Audit Committee may review the documents / seek information from Management or get clarification or opinion from KMP or any third party;
  - d. The following kind of transactions will not be subject to omnibus approval of the Audit Committee:
    - i. Transactions which are not repetitive in nature;
    - ii. Transactions involving sale or disposal of an undertaking of the Company;
    - iii. Transactions involving sale or disposal or assignment of any significant or critical asset of the Company including intellectual property rights.
    - iv. Transactions between holding company and wholly owned subsidiaries;
    - v. Transactions between two wholly owned subsidiaries.
- 4.2 For the purpose of seeking approval of the Audit Committee / the Board, the KMP shall submit a proposal for approval of the RPTs containing the following minimum information (as per the Act, Listing Regulations, relevant SEBI Circulars in this regard, may be applicable):
- a. Name of the Related Party and nature of relationship with the Company and its subsidiary or any related party;
  - b. Nature, duration of the contract and particulars of the contract or arrangement;
  - c. Material terms of the contract or arrangement including the value, if any;
  - d. 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)
  - e. Any advance paid or received for the contract or arrangement, if any.
  - f. In respect of transactions not requiring Omnibus Approval, manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
  - g. Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
  - h. Any other information relevant or important for the Board/Audit Committee to take a decision on the proposed transaction.
  - i. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company's or its subsidiary:
    - Details of the source of funds in connection with the proposed transaction; 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; applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security;

The proposals for Related Party Transactions shall comply with the Listing Regulations, SEBI circulars and framework prescribed by Industry Standards Forum, as amended from time to time, for minimum information to be placed before Audit Committee and shareholders while seeking their approvals, as may be applicable.

## 5. Related Party Transactions not approved under this policy

- 5.1 In the event the Company subsequently becomes aware of a RPT that has not been approved under this policy, the matter or transaction shall be placed as promptly as practicable before the 'Approving Authority' i.e., Committee or Board or the Shareholders as may be required in accordance with this Policy, for review and ratification.
- 5.2 The Approving Authority shall consider the relevant facts and circumstances regarding such related party transaction and shall assess possibilities available to the Company including but not limited to ratification, revision in the terms, or termination of such transaction. The decision of the Approving Authority shall be binding under such circumstances.
- 5.3 The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPT to the Committee under this Policy and shall take such actions it deems appropriate to address the failure in its internal mechanism for monitoring RPT. In connection with any review/ratification of any particular RPT, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

## 6. Transactions which do not require approval or deemed to be approved under this Policy

- 6.1 No approval of the shareholders shall be required for transactions entered into with wholly owned subsidiaries whose accounts are consolidated with the Company.
- 6.2 The transactions or arrangements which are specifically dealt with under the separate provisions of the Act/regulations or Law and executed under separate approvals, such transactions shall be deemed to be approved by the Audit Committee under this Policy. Such transactions are enumerated below:
- a. **Appointment and payment of remuneration to Directors or Key managerial personnel (KMP):** Appointment of Directors and KMP and payment of the remuneration or compensation or fees or commission to a director or remuneration to KMP 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.
  - b. **Charitable contributions/ transactions or CSR activities undertaken by the company:** Any charitable contribution, grant or endowment by the company or CSR activities undertaken by the Company in accordance with the Company's adopted policy to any trust, society, foundation or university where a related person is a trustee or on the advisory board of such institutions.
  - c. **Transactions where all shareholders receive proportional benefits:** Any transaction in which the related party's interest arises solely from ownership of securities issued by the company and all holders of such securities receive the same benefits pro-rata as the related party.

## 7. Disclosures & Reporting

- 7.1 This Policy shall be disclosed on the website of the Company and a web link to the policy shall be provided in the Annual Report.
- 7.2 A summary statement of RPTs entered into by the Company shall be submitted to the Audit Committee in quarterly meetings for its information, review and noting along with independent auditor's certificate, wherever required.

7.3 Such other disclosures as may be prescribed by the Act, Listing Regulations, Accounting Standards and applicable regulations from time to time.

## 8. Interpretation

8.1 In any circumstances, the existing provisions or subsequent changes in the Act, Rule(s) made thereunder, Listing Regulations, any law governing the Company, which makes any of the provisions in this Policy inconsistent with the Act, Rules, Listing Regulations or any Law, such provisions of the Act, Rules, Listing Regulations or any law would prevail over the Policy.

8.2 In case of any dispute or difference upon the meaning/interpretation of any provision in the Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final. In interpreting such term / provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.

## 9. Review and amendments

9.1 The Managing Director is authorized to amend the Policy to give effect to any changes/ amendments to the Act, Rules made thereunder and notified by Ministry of Corporate Affairs or the listing regulations notified by SEBI with respect to RPTs from time to time. Such amended policy shall be periodically placed before the Audit Committee and Board for noting and ratification.

9.2 This Policy shall be reviewed by the Audit / Board at least once in every three years. Any changes or modification in the Policy as recommended by the Audit Committee would be presented for approval of the Board.

9.3 In the event, any provisions contained in this Policy is inconsistent with the provisions contained in the Listing Regulations, the Act or Accounting Standards, etc. or any amendments thereto, (Regulatory Acts), the provisions contained in the Regulatory Acts will prevail.

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| Version | Board Approval Date |
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