SKF India (Industrial) Limited
Policy on materiality of Related Party Transactions and on dealing with Related Party Transactions
[*Pursuant to Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Schedule XII of the said regulations*]

(Reviewed and approved by the Board of Directors in their meeting held on 3rd February 2026)

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I. <u>Introduction and Purpose of the Policy</u>:

Regulation 23(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations/SEBI LODR") requires the company to formulate a policy on materiality of related party transactions and on dealing with related party transactions ("RPT") including clear threshold limits ("Policy") duly approved by the Board of Directors. Accordingly, the Board of Directors of the Company on the recommendation of the Audit Committee, has formulated this Policy governing the provisions of related party transaction in line with the requirements of the Companies Act 2013 ("the Act") read with the Rules framed thereunder and listing regulations, as amended from time to time.

This Policy is intended to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and its related parties. This policy specifically deals with the review and approval mechanism of material related party transactions keeping in mind the potential or actual conflicts of interest that may arise because of such transaction.

II. <u>Definitions</u>:

In this policy, unless the context otherwise requires:

i. "**Act**" means the Companies Act, 2013 including any statutory modification(s) or re-enactment(s) thereof and the rules made thereunder;

ii. "**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.

iii. ***"Audit Committee"*** *means the Committee constituted by the Board of Directors of the Company under the applicable provisions of SEBI Listing Regulations and Act.*

iv. ***"Key Managerial Personnel" ("KMP")*** *means as defined under section 2(51) of the Act.*

v. "**Promoter and Promoter Group**" shall have the same meaning as assigned to them respectively in clauses (oo) and (pp) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

vi. *"**Material Modification**" shall mean triggering of any of the following conditions whether individually or in aggregate:*

- *i. Change in the overall transaction value of Related Party Transactions beyond 10% or*
- *ii. As may be decided by the Audit Committee on case-to-case basis.*

vii. "**Related Party**" means a related party as defined under sub-section (76) of Section 2 of the Companies Act 2013 or under 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:

- of twenty per cent or more; or
- 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.

viii. "**Relative**" means a relative as defined under subsection (77) of Section 2 of the Companies Act 2013.

ix. "**Related Party Transaction**" shall have the meaning as transactions defined under Regulation 2(1)(zc) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 as amended or as envisaged under Section 188 (1) of the Companies Act 2013 as amended from time to time.

Related Party Transactions as per section 188 of the Companies Act, 2013: Any contract or arrangement with a related party with respect to:

- sale, purchase or supply of any goods or materials;
- selling or otherwise disposing of, or buying, property of any kind;
- leasing of property of any kind;
- availing or rendering of any services;
- appointment of any agent for purchase or sale of goods, materials, services or property;
- such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- underwriting the subscription of any securities or derivatives thereof, of the company.

Related Party Transactions as per Regulation 2(1)(zc) of Listing Regulations means a transaction involving a transfer of resources, services or obligations between:

- 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
- 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:
- 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.

(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) *acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time.*
Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon.

(e) *retail purchases from any listed entity or its subsidiary by the directors or key managerial personnel of the listed entity or its subsidiary, and relatives of such directors or key managerial personnel, without establishing a business relationship and at the terms which are uniformly applicable/ offered to all employees, directors, key managerial personnel and relatives of directors or key managerial personnel.*
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).

x. "**Transactions in ordinary course of business**" shall mean transaction which /wherein:

- is/are carried out in the normal course of business envisaged in accordance with the objects mentioned in the Memorandum of Association (MOA) of the Company.
- is as per historical practice with a pattern of frequency, or
- is in connection with the normal business carried on by the Company, or
- is a common commercial practice in business/market/industry or
- income, if any, earned from such transaction is assessed as business income in the Company's books of accounts and hence is a business activity. Or
- meets any other parameters/criteria as decided by the Board/Audit Committee

xi. "**Listing Regulations**" means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended time to time.

xii. *"**Unforeseen Related Party Transaction**" means a Related Party Transaction, where the need for such transaction cannot be foreseen, the details whereof necessary for seeking an omnibus approval of the Audit Committee are not available and the value of such transaction does not exceed Rupees one crore per transaction.*

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation, amended from time to time.

IIA. **Threshold for determining Materiality**:

Regulation 23 of the Listing Regulations provides thresholds for materiality of related party transactions beyond which **approval of the shareholders** through resolution will be required. The thresholds are as follows:

Related Party Transactions other than Brand Usage or Royalty:

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 thresholds specified in Schedule XII of the Listing Regulations*.

Schedule XII: 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:

Consolidated Turnover of Listed Entity Threshold	***Threshold***
Up to ₹20,000 Crore	*10% of the annual consolidated turnover of the listed entity*
More than ₹20,000 Crore to up to ₹ 40,000 Crore	*₹2,000 Crore + 5% of the annual consolidated turnover of the listed entity above ₹20,000 Crore*
More than ₹40,000 Crore	*₹3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above ₹40,000 Crore or ₹5,000 Crores, whichever is lower.*

Related Party Transactions in respect of Brand Usage or Royalty: 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 (5%) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company**.

Sr. No.	**Nature of Related Party Transaction**	**Threshold Limit (% of annual consolidated turnover of the Company as per last audited financial statements)**
1.	Payment for usage of brand or royalty	>5%
2.	Any other	*As per the threshold limits mentioned in the Schedule XII of Listing Regulations.*

III. <u>Identification of Related Party Transactions</u>:

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. The Audit Committee/Board of Directors will identify the related party transactions in accordance with Section 188 read with Section 177 of the Act and Regulation 2(1)(zc) of the Listing Regulations. The Audit Committee/Board of Directors will determine whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, it may seek external expert opinion, if necessary.

IV. <u>Approval Mechanism Process</u>:

A. The Company shall not enter into any related party transactions and subsequent material modifications without the prior approval of the Audit Committee (Committee) of the Company unless the transaction/ contract/ arrangement enjoys any exemption as provided under the Companies Act, 2013 or Rules made there under or under the provisions of the SEBI (Listing Obligations and Disclosure Requirements) 2015, and only those members of the audit committee, who are independent directors, shall approve related party transactions.

a) *a related party transaction above rupees one crore, whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction, exceeds the lower of the following:*
    - *ten percent of the annual standalone turnover of the subsidiary as per the last audited financial statements of the subsidiary; or*
    - *the threshold for material related party transactions of listed entity as specified in Schedule XII of these regulations.*

b) *In the event of a related party transaction above rupees one crore, whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary of a listed entity is a party but the listed entity is not a party and such subsidiary does not have audited financial statements for a period of at least one year, prior approval of the audit committee of the listed entity shall be obtained if the value of such transaction exceeds the lower of the following:*
    - *ten percent of the aggregate value of paid-up share capital and securities premium account of the subsidiary; or*
    - *the threshold for material related party transactions of listed entity as specified in Schedule XII of these regulations.*

    Provided that the aggregate value of paid-up share capital and securities premium account of the subsidiary shall be taken as on a date, not older than three months prior to the date of seeking approval of the audit committee.

c) *approval of the Audit Committee of the Company shall not be required for the following Related Party Transactions:*
    - *Transactions to which the listed subsidiary is a party but the Company is not a party, if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.*
    - *Transactions entered into between the Company and its wholly-owned subsidiary company whose accounts are consolidated with the Company and placed before the Shareholders of the Company at the general meeting for approval.*
    - *Transactions entered into between two wholly-owned subsidiaries of the Company whose accounts are consolidated with the Company and placed before the Shareholders of the Company at the general meeting for approval.*

d) remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of sub-regulation (1) of this regulation.

B. <u>Procedure for granting Omnibus Approval for entering into Related Party Transactions</u>:

All Related Party Transactions or any subsequent modifications thereof shall require prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for related party transactions proposed to be entered into by the listed entity or its subsidiary subject to certain conditions as mentioned in regulation 23(3).

Provided that where the need for related party transaction cannot be foreseen or unforeseen transactions and where the required details are not available, audit committee may grant omnibus approval for such transactions subject to their value **not exceeding rupees one crore per transaction**.

Such omnibus approvals shall be valid for a period not exceeding one year.

C. **Ratification of Related Party Transactions by the Audit Committee**:

The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

a) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
b) the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation;
c) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
d) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation;
e) any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

D. **Review of the Related Party Transactions by the Audit Committee**:

Further, the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company or its subsidiary pursuant to each of the omnibus approvals given.

Any related party transactions which are neither in the ordinary course of business nor at arm's length basis shall be approved by the Board of Directors of the Company.

E. ***Approval of Board of Directors***:

Following Related Party Transactions shall require prior approval of the Board of Directors of the Company:
a) Related Party Transactions in which the directors or the Key Managerial Personnel are concerned or interested.
b) Transactions specified in Section 188(1) of the Act which are not in the ordinary course of business and/or not on arm's length terms.
c) Material Related Party Transactions which are proposed to be placed before the Shareholders for approval.
d) Related Party Transactions where Audit Committee of the Company is of the opinion that the same should be brought before the Board of Directors or if the Board of Directors suo moto decides to review any such transaction.
e) Related Party Transactions for which approval of the Board of Directors is mandatory under any applicable law for time being in force.
f) *Any Material Modification to the Related Party Transactions already approved by the Board of Directors.*

F. **Approval of Shareholders**:

a) Material Related Party Transactions and Material Modifications thereto.
b) Transactions specified in Section 188(1) of the Act– which are neither at arm's length basis nor in the ordinary course of business of the Company and shall be entered with the prior approval of the shareholders of the Company in the following cases by passing a resolution:
   - Sale, purchase or supply of any goods or materials, directly or through appointment of agent, amounting to 10% or more of the annual turnover of the Company;
   - Selling or otherwise disposing off or buying property of any kind, directly or through appointment of agent, amounting to 10% or more of net worth of the Company;
   - Leasing of property of any kind, amounting to 10% or 10% of turnover of the Company;
   - Availing or rendering of any services, directly or through appointment of agent, amounting to of 10% or more of turnover of the Company;
   - Appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding Rs 250,000 per month;
   - Remuneration for underwriting the subscription of any securities of the company or derivatives thereof if the Company in excess of 1% of the net worth of the Company.

G. All material related party transactions and subsequent Material Modifications to such material related party transactions shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolution whether the entity is related party to the particular transaction or not.

The omnibus approval granted by the shareholders for material related party transactions in an annual general meeting shall be valid till the date of the next annual general meeting held within the timelines prescribed under Section 96 of the Companies Act, 2013 or rules, notifications, or circulars issued thereunder from time to time.

In case of omnibus approvals for material related party transactions, granted by shareholders in general meetings other than annual general meeting, the validity of such omnibus approvals shall not exceed one year from the date of such approval.

H. Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

I. The Audit Committee shall consider the information/ documents related to Related Party Transactions placed before it and either approve or reject the same on merit.

J. The agenda of the Board meeting at which related party transactions are proposed to be approved shall disclose all details of the transactions like:
   - the name of the related party and the relationship;
   - particulars of the contract or arrangement and nature, duration of contract;
   - the material terms of the contract or arrangement including the value, if any
   - the manner of determining the pricing and other commercial terms of the contract, both included as part of contract and not considered as part of the contract;
   - any advance paid or received for the contract or arrangement, if any;
   - whether all factors relevant to the contract have been considered, if not , the details of the factors not considered together with the rationale;
   - any other information relevant or important for the Board to take a decision on the proposed transaction.

- *such information as prescribed under the Industry Standards laid down for the 'Minimum Information to be provided to the Audit Committee and the shareholders for the approval of RPTs' as amended from time to time.*

All transactions with Related Parties shall be carried out at arm's length principle.

If any contract or arrangement with a related party is not in the ordinary course of business or at arm's length, the Company shall comply with the provisions of the Companies Act 2013 and SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015, as applicable, for such transaction/ contract/ arrangement.

V. <u>Related Party Transaction not approved under this policy</u>:

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

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

VI. <u>Disclosures</u>:

A. The listed entity shall make disclosures in the format specified by the Securities and Exchange Board of India for Related Party Transactions to the Stock Exchange(s) from time to time and publish the same on the website of the company.

Such disclosures shall be made by the listed entity every six months on the date of publication of its standalone and consolidated financial results.

Such disclosure requirements shall not be applicable to remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, unless such remuneration paid is material in terms of sub-regulation (1) of Regulation 23 of SEBI LODR.

B. The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or not at arm's length basis along with the justification for entering into such transaction and the transactions which are material in nature in form AOC-2.

C. The Annual Report of the Company shall contain Related Party Disclosures as stated in Schedule V of SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015.

D. As prescribed under Regulation 46(2)(g) of the SEBI Listing Regulations, this Policy shall be disclosed on the Company's website.

VII. <u>Policy Interpretation and Review</u>:

A. In case of any subsequent changes in the provisions of the Companies Act 2013, or any other regulations which makes any of the provisions in the Policy inconsistent with the Act or Regulations, the provisions of the Act or Regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with the law.

B. This Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the Policy due to change in Act or Regulations or as may be felt appropriate by the Committee. Any changes or modification on the Policy as recommended by the Committee would be presented for approval of the Board of Directors.

C. Irrespective of above, the policy shall be reviewed by the Board of Directors at least once every 3 years and updated accordingly with recommendations from Audit Committee.

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