



# Castrol India Limited

## Policy on Related Party Transactions

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# CASTROL INDIA LIMITED

## POLICY ON RELATED PARTY TRANSACTIONS

*(Consolidated Policy approved by the Board of Directors on 3 February 2025)*

### **OBJECTIVE**

The Board of Directors (the "Board") of Castrol India Limited (the "Company" or "Castrol"), acting upon the recommendation of its Audit Committee (the "Committee"), has adopted the following policy (the "policy") and procedures with regard to Related Party Transactions ("RPT"). The Committee will review and may amend this policy from time to time. This policy is framed as per requirement of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") as amended from time to time, respectively.

The objective of this policy and procedure is to ensure that transactions between Castrol and its related parties be based on principles of transparency and fairness. Likewise, this policy aims at preventing and guiding situations of potential conflict of interests in the implementation of transactions involving such related parties.

### **DEFINITIONS**

1. 'Relative' shall mean relative defined under the Companies Act, 2013 read with Listing Regulations as may be amended from time to time.
2. 'Related Party' shall mean a person or an entity that is related to the Company as per:
  - Section 2(76) of the Companies Act, 2013; or
  - Regulation 2(1)(zb) of the Listing Regulations.
3. 'Related Party Transaction / RPT' shall mean:
  - a. all transactions as per Section 188 of the Companies Act, 2013; and
  - b. all transactions as per Regulation 2(1)(zc) of the Listing Regulations.
4. 'Material transaction/s' shall mean transaction/s with a related party which individually or taken together with previous transactions during a financial year, exceed the limits of materiality under Regulation 23 of the Listing Regulations as may be amended from time to time or any statutory modifications or re-enactments thereof for time being in force.

*(Note – To the extent limits of materiality under Companies Act, 2013 are inconsistent with the Listing Regulations, stricter interpretation shall be applied for all those transactions, which are not at arm's length or in ordinary course of business).*

5. 'Material modification' to related party transaction/s shall mean a modification of the value of the transaction/s already approved by the Audit Committee or Board of Directors or the shareholders of the Company, as the case may be, which exceeds higher of the following limits:
  - i. 10% to the total value of the transaction/s so approved by the Audit Committee or Board of Directors or the shareholders of the Company, as the case may be; or
  - ii. INR 5 Crore.

The terms Director, Independent Directors, Whole-time Director, Managing Director, Chief Financial Officer, Company Secretary, Key Managerial Personnel (KMP) will have the same meaning as assigned to it in the Companies Act, 2013.

Explanation: Any words / terms used in the Policy but not defined herein shall have the same meaning ascribed to it, in the Act or rules made thereunder, the Listing Regulations or any other relevant legislation / law applicable to the Company.

## **POLICY**

The Policy is applicable to all Related Party Transactions to be entered or entered into by the Company. All Related Party Transactions or any material modifications thereof must be reported to the Audit Committee and referred for its prior approval, recommendation or ratification by the Committee in accordance with this policy.

### **Identification of Related Party and Related Party Transactions:**

#### **Related Party**

- a. The Company Secretary will obtain annual declarations as may be necessary from Directors and KMPs for identification of Related Parties.
- b. The Company Secretary will maintain database of all Related Parties based on the declaration received from Directors/KMPs including Group entities and share the same with Chief Financial Officer on annual basis or as and when there is any change intimated to the Company, to monitor the transactions with such related parties.

#### **Related Party Transactions (RPT)**

Each KMP/Director shall annually furnish information about the parties related to him/her, in accordance with the definitions contained in this policy, and about any transaction/s between them and the Company that comes to his/her knowledge, being his/her obligation to obtain the relevant information with his/her relatives. Such information shall be brought to the attention of the Company Secretary or the Chief Financial Officer by the KMP/Director.

Any potential RPT that are brought to the attention of the Company Secretary and Chief Financial Officer will be analyzed by the Legal Department, in consultation with management and with outside counsel, as appropriate, to determine whether the transaction or relationship does, in fact, constitute a RPT requiring compliance with this policy.

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

Every RPT shall be subject to the prior approval, recommendation or ratification by the Audit Committee whether at a meeting or by resolutions by circulation.

Audit Committee approval shall not be required for remuneration and sitting fees paid by the Company to its Directors, Key Managerial Personnel or Senior Management Personnel, except who is a part of promoter or promoter group, provided they are not material in terms of the provisions of Listing Regulations.

Only those members of the Audit Committee, who are Independent Directors, shall approve related party transactions. Any member of the Committee who has a potential interest in any RPT will abstain from discussion and voting on the approval of the RPT.

The Audit Committee will be provided with all the information of the RPT as required under the Companies Act, 2013 and the Rules made thereunder and the Listing Regulations, as amended from time to time, respectively.

In determining whether to approve a RPT, the Committee will consider (among other aspects as it deems relevant), if-

- a. there are clearly demonstrable reasons from the Company's business point of view, for the transaction to be entered into with a RP;
- b. the transaction is concluded in terms at least as favourable to the Company as the ones usually available in the market or the ones offered to or by a third-party not related to the Company in equivalent circumstances;
- c. valuation methodology used and other possible approaches for valuation of the transaction; and
- d. the direct or indirect nature of the RP's interest in the transaction and the continuous nature of the transaction.

Depending upon nature, frequency and volume of a transaction, the Audit Committee, if it decides to approve the RPT, (subject to legal provision), may approve it,

- If such an individual transaction or set of transactions is expected to be not repetitive in nature; or
- If it is likely that multiple transactions could be entered into with a related party/ies or with a class/group of related parties, depending upon business requirements (and it is not possible to know / determine name of the party/amount/duration), then in such cases approve master agreement or principal terms of transactions in such a way that it covers major commercial terms, basis / formula of pricing based on arm's length principle, which is accepted in industry and also assures compliance with applicable laws and regulations.

The Audit Committee may lay down the terms and conditions and processes that management will follow before / after doing a related party transaction, which could include limits, period (not exceeding 1 year), manner of reporting of transactions to the Audit Committee in each quarter based on the accepted principles and if necessary certified to be as per policy by external agency.

#### **Omnibus Approval**

1. The Audit Committee may grant omnibus approval for RPT considering the repetitive nature of the transactions.
2. The Audit Committee, shall, after being authorized by the Board of Directors, specify the criteria for granting omnibus approvals to the RPT proposed to be entered into by the Company in the manner and to the extent prescribed under the Laws. Such omnibus approvals shall be valid for one financial year.
3. The Audit Committee shall, while granting such omnibus approvals, satisfy itself about the adherence to the criteria so specified by it.
4. The Audit Committee shall satisfy itself about the need for such omnibus approval and that such approval is in the interest of the Company.

5. The omnibus approval granted by the Audit Committee shall include the following particulars:
  - i. Name of the related parties and nature of relationship with the Company;
  - ii. Nature and duration of the transaction;
  - iii. Maximum amount of transaction that can be entered into;
  - iv. The indicative base price or current contracted price and the formula for variation in the price, if any; and
  - v. Such other conditions as the Audit Committee may deem fit and as mandated under applicable laws.
6. In case of any RPT that cannot be foreseen or transactions in respect of which complete details are not available, the Audit Committee may grant an omnibus approval for such transactions provided that the value does not exceed Rs.1 crore per transaction in a financial year.
7. The Audit Committee shall not grant omnibus approval for transactions in respect of selling or disposing of the undertaking of the Company.

#### **Material Related Party Transactions**

The transaction/s which exceed/s the limits of materiality prescribed under Regulation 23 or exceed/s the materiality limits prescribed under Companies Act, 2013 and the Rules made thereunder which are not in the Ordinary Course of Business / Arms' Length, shall be referred by the Audit Committee with its recommendations to the Board of Directors. The Board will record reasons for agreeing / not agreeing to the recommendations of the Audit Committee and if it decides to approve the transaction/s, then shareholders' approval will be sought through a resolution in the manner and to the extent it is required under the Companies Act, 2013 and Listing Regulations, subject to the restriction on voting as per the law.

The Audit Committee/ Board may decide to refer the RPT to an external law firm / advisor to obtain opinion on the aspects of 'Ordinary Course of Business' / 'Arm's Length' or any other related aspect.

#### **Material Modifications to Related Party Transactions**

In case of transaction/s with related parties that are approved by the Audit Committee or Board of Directors or the shareholders of the Company, a prior approval, recommendation or ratification by the Committee or the Board or the shareholders, as the case may be, shall also be required for any subsequent material modification/s proposed to be made or made to such transaction/s. The Company while seeking approval/s for such subsequent material modification/s shall provide the Committee/Board/shareholders with all the information of the RPTs as required under the Companies Act, 2013 and the Rules made thereunder and the Listing Regulations.

### **Ratification of Related Party Transactions:**

Audit Committee (comprising Independent Directors) may ratify RPT 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:

- i. 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;
- ii. the transaction is not material in terms of Listing Regulations;
- iii. rationale for inability to seek prior approval for the transaction shall be shared at the time of seeking ratification; and
- iv. details of the ratification shall be disclosed alongwith the RPT disclosure under Listing Regulations.

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.

### **Reporting of Transaction and Records**

The Company Secretary shall be responsible for reporting or giving statutory disclosures of RPTs and also make necessary entries in the register maintained for this purpose. The management may put in place an internal process document to monitor compliance of the RPT with this Policy and transactions approved by Audit Committee.

### **Non-Compliance with the provisions of this Policy**

If a RPT is entered without approval of the Audit Committee and if the Committee determines not to ratify a RPT that has been entered without approval, then the Committee, as appropriate, may direct additional actions including, but not limited to discontinuation of the transaction or seeking the approval of the Board or the shareholders, payment of compensation for the loss suffered by the RP etc. In connection with any review of a RPT, the Committee has authority to modify or waive any procedural requirements of this Policy.

Any violation to the provisions of the Policy that comes to the knowledge of Directors, Key Managerial Personnel and Managing Counsel of the Company shall result in the adoption of the appropriate measures, ensuring the effectiveness of this Policy, and shall also be reported to the Audit Committee.

This Policy shall be communicated to all operational employees and other concerned persons of the Company and shall be placed on the intra-net and/or website of the Company as may be necessary.

### **General**

In the event of any conflict between the provisions of this Policy and the Companies Act, 2013 and / or Listing Regulations and / or other applicable laws, the provisions of the Companies Act, 2013 and / or Listing Regulations and / or other applicable laws shall prevail.

Any subsequent amendments / modifications in the Companies Act, 2013 and / or Listing Regulations and / or other applicable laws shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be modified and/or amended to that extent, even if not incorporated in this Policy.