



MOTILAL OSWAL FINANCIAL SERVICES LIMITED

**POLICY ON MATERIALITY AND DEALING WITH RELATED PARTY  
TRANSACTIONS ("POLICY")**

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**VERSION DETAILS**

Sr. No.	Details of Changes	Date of Creation/Change	Department	Author	Version Number	Approved By
1.	Original Document	19/07/2014	Corporate Secretarial	Samrat Sanyal	Ver. 1.0	Board of Directors
2.	Changes due to amendments in the regulatory provisions.	30/01/2015	Corporate Secretarial	Samrat Sanyal	Ver. 1.1	Board of Directors
3.	Changes due to amendments in the regulatory provisions i.e. Material threshold limit, exclusions, etc.	31/03/2019	Corporate Secretarial	Kailash Purohit	Ver. 1.2	Board of Directors

**Motilal Oswal Financial Services Limited (MOFSL)**

**POLICY ON MATERIALITY AND DEALING WITH RELATED PARTY  
TRANSACTIONS ("POLICY")**

**SCOPE OF THE POLICY**

This Policy is prepared to ensure effective good corporate governance and specifically in accordance with the provisions of Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") (as amended from time to time) dealing with Related Party Transactions (RPTs), as applicable to the Company.

Accordingly, this Policy will be applicable to Motilal Oswal Financial Services Limited (the "Company" or "MOFSL"). This Policy is to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company.

**OBJECTIVE**

The Company recognizes that RPTs can present potential or actual conflicts of interest and may raise questions about whether such transactions are fair and on arm's length basis. Therefore, this Policy on RPTs has been formulated as required by Listing Regulations.

This Policy applies to any RPTs, unless the transaction is exempt.

**DEFINITIONS**

**"Act"** shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications or re-enactment thereof.

**"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.

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

**"Associate Company"** means any other company, in which the Company has a significant influence, but which is not a subsidiary company of the Company having such influence and includes a joint venture company.

**"Board"** means Board of Directors of the Company.

**"Company"** means Motilal Oswal Financial Services Limited.

**"Control"** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares

and Takeovers) Regulations, 2011.

**“Key Managerial Personnel”** means key managerial personnel as defined under the Companies Act, 2013 and rules thereunder.

**“Material Related Party Transaction”** means a transaction to be entered into with a Related Party, individually or taken together with previous transactions during a financial year, exceeding the following thresholds:-

- i) In case of transactions involving payments made with respect to brand usage or royalty, if it exceeds 2% of the annual consolidated turnover of the listed entity as per its last audited financial statements.
- ii) In case of any other transaction(s), if the transaction amount exceeds 10% of the annual consolidated turnover of the Company as per its last audited financial statements.

**“Ordinary Course of Business”**: Motilal Oswal Financial Services Limited has and shall identify RPTs in accordance with Section 188 of the Act and Regulation 2(1)(zc) of the Listing Regulations. The Company has also formulated criteria for determining whether transaction is in ordinary course of business and for this purpose, the Company shall seek external professional opinion, if necessary. While the Ordinary Course of business is not defined under the Companies Act, 2013 and/or Listing Regulations, it means usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake if:

- i. the Memorandum of Association of the Company permits such activity; or
- ii. it is historical practice and there is a pattern of frequency (and not an isolated transaction); or
- iii. it is required to be undertaken in order to conduct the routine or usual transactions of the Company; or
- iv. it is a common commercial practice.

**“Policy”** means Policy on Materiality and Dealing with Related Party Transactions.

**“Related Party”** is a person or any entity which is:

- i. a related party under Section 2(76) of the Companies Act, 2013 and Rules thereunder;
- ii. a related party under the applicable accounting Standards
- iii. any person or entity belonging to the promoter or promoter group company and holding 20% or more of shareholding in the Company

**“Related Party Transaction”** means any *transaction* involving transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged and includes the following transactions:-

- i. sale, purchase or supply of any goods or materials;
- ii. selling or otherwise disposing of, or buying, property of any kind;

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

Explanation - A "*transaction*" with a related party shall be construed to include single transaction or a group of transactions in a contract.

"Relative" means relative as defined under the Companies Act, 2013 and includes any one who is related to another, if –

- i. They are members of a Hindu undivided family ;
- ii. They are husband and wife;
- iii. Father (including step father)
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son's wife
- vii. Daughter
- viii. Daughter's husband
- ix. Brother (including step-brother)
- x. Sister (including step-sister)

"**Senior Management**" includes officers/personnel of the Company who are members of its core management team excluding Board of Directors and shall comprise of all members of management one level below the Chief Executive Officer/Managing Director/Whole-time Director and shall specifically include Company Secretary and Chief Financial Officer.

**Note for the above definition:** Members of management one level below shall mean Business Head(s) and Functional Heads reporting to Managing Director(s).

**Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Regulations, Securities Contracts Regulation Act or any other applicable law or regulation.**

#### **PROCEDURES FOR IDENTIFICATION OF RELATED PARTY TRANSACTIONS**

- i. In accordance with the section 189(2) of the Act, all Directors and Key Managerial Personnel shall, within a period of thirty days of his appointment, or relinquishment of his office, as the case may be, disclose to the Company, the particulars relating to his concern or interest in the other associations/entities in Form MBP-1.
- ii. In accordance with the section 184(1) of the Act, all Directors shall inform the Company of their interest (including interest of their Relatives) in other companies, firms or concerns at the first meeting of Board of every financial year and any change in such interest during the year in

Form MBP-1.

- iii. In accordance with Regulation 26(2) of the Listing Regulations, every Director shall inform the Company about the Committee position he occupies in other Companies and notify changes as and when they take place.
- iv. In addition, the Senior Management shall make disclosures to the Board of Directors relating to material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the Company at large.

**Explanation:-** Conflict of Interest relates to dealing in the shares of Company, commercial dealings with bodies, which have shareholding of Management and their relatives etc.

- v. 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.

#### **APPROVAL OF RELATED PARTY TRANSACTIONS (RPTs)**

##### **Approval of RPTs by Audit Committee:**

- i. The Audit Committee shall be responsible for the granting prior approval for all RPTs.
- ii. Audit Committee may grant omnibus approval for RPTs proposed to be entered into by the Company subject to the following conditions:
  - a. The Audit Committee shall after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval 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. Such omnibus approval shall specify –
    - (i) the name/s of the related party, nature of transaction, duration of transaction, maximum amount of transaction that can be entered into,
    - (ii) the indicative base price / current contracted price and the formula for variation in the price, if any and
    - (iii) such other information as the Audit Committee may deem fit;

Provided that where the need for RPT cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction.

- d. Audit Committee shall review, at least on a quarterly basis, the details of RPTs 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 one financial year.
- f. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

**Approval of RPTs by Committee through Resolution by Circulation:**

In an unforeseen event where a RPT needs to be entered due to business exigencies between two Audit Committee meetings, the Audit Committee may approve such RPT by passing a resolution by circulation, after satisfying itself that such transaction is in the interest of the Company.

**Approval of RPTs by Board of Directors:**

- 1) When any transaction with a Related Party does not meet any of the following conditions, it shall seek approval of the Board of Directors of the Company:
  - i. Arm's length basis
  - ii. Ordinary course of business
- 2) Transactions which are in ordinary course of business and at arm's length basis, but which according to Audit Committee's view requires Board approval.

Explanation: The Director interested shall not be present during discussion on such RPT.

While assessing a proposal put up before the Board for approval, the following information pertaining to the transaction shall be presented before the Board:

- (a) the name of the related party and nature of relationship;
  - (b) the nature, duration of the contract and particulars of the contract or arrangement;
  - (c) the material terms of the contract or arrangement including the value, if any;
  - (d) any advance paid or received for the contract or arrangement, if any;
  - (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
  - (f) 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
  - (g) any other information relevant or important for the Board to take a decision on the proposed transaction.
- 3) All material RPTs excluding exempted transactions.

### **Approval of RPTs by Shareholders of the Company:**

The following RPTs shall require prior approval of shareholders by way of an Ordinary Resolution:

- i) All material RPTs excluding exempted transactions
- ii) RPTs which do not satisfy any one of the following condition i.e. (a) are not in ordinary course of business or (b) not at arm's length basis and further exceeds the threshold limits as specified under Companies (Meeting of Board and its Powers) Rules, 2014 and as amended from time to time.

Provided, all persons falling under the definition of related party shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

### **Exemptions:**

A transaction with related party shall be exempted from seeking requisite approvals as follows:

In accordance with the section 188 of the Act, when any transaction with a related party is in ordinary course of business and arm's length basis, the RPT shall not be necessitated to seek approval of Board of Directors of the Company and shareholders of the Company.

In accordance with Regulation 23 of Listing Regulations, any RPT 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 shall be exempted from -

- a. Prior approval of Audit committee and
- b. Prior approval of shareholders for all material RPTs

### **MATERIALITY THRESHOLDS FOR RPTs:**

<b>Nature of RPT</b>	<b>Materiality as per the Act</b>	<b>Materiality as per Listing Regulations</b>
Sale, purchase or supply of any goods or materials, directly or through appointment of agent.	Exceeding 10% of Turnover or Rs. 100 Crores, whichever is lower	All transactions with related party to be entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover as per last audited financial statement
Selling or disposing of or buying of any kind property directly or through appointment of agent	Exceeding 10% of Net worth or Rs. 100 Crores, whichever is lower	
Leasing of property of any kind	Exceeding 10% of Net worth or 10% of Turnover or Rs. 100 Crores, whichever is lower	
Availing or rendering of any services directly or through	Exceeding 10% of Turnover or Rs. 50 Crores, whichever is	

Nature of RPT	Materiality as per the Act	Materiality as per Listing Regulations
appointment of agents	lower	
Appointment to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration exceeding Rs. 2.50 Lakhs	
Remuneration for underwriting the subscription of any securities or derivatives thereof	Exceeding 1% of Net worth	
Any other transaction with related parties, other than those covered above, resulting in transfer of resources, obligation or services	-	
<i>Net worth and turnover would be as per Audited accounts of preceding financial year.</i>		
<i>The Company has defined Material RPTs basis the thresholds defined in the Act and Listing Regulations, as amended from time to time.</i>		

#### **RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

In the event the Company becomes aware of any RPT that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practical before the Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Committee deems appropriate under the circumstances.

In any case, where the Committee or Board or Shareholders determines not to ratify the RPT that has been commenced without approval, the Committee or Board or Shareholders, 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 RPT, the Committee or Board or Shareholders has authority to modify or waive any procedural requirements of this Policy.

Further, in case any transaction involving any amount not exceeding Rs. 1 Crore is entered into by a director or officer of the Company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any Director or is authorised by any other Director, the Director concerned shall indemnify the company against any loss incurred by it (excluding the transaction between holding company and its wholly owned subsidiary company).



## **EXCLUSIONS**

The transactions or arrangements which are specifically dealt under the separate provisions of the Law and executed under separate approvals/procedures from relevant competent authority or committee shall be deemed to be approved under this Policy. Such transactions are enumerated below:

1. Appointment and payment of remuneration, including any variations thereto, to Directors and Key Managerial Personnel (“KMP”) pursuant to the approval of Nomination and Remuneration Committee.
2. Share based incentive plans for the benefits of the Directors or KMP pursuant to approval of the shareholders of the Company including ESOPs.
3. Contribution with respect to Corporate Social Responsibility (CSR) to eligible entity(ies) pursuant to approval of Board or the CSR Committee.
4. 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 received by the related party.

## **REVIEW/REVISION OF POLICY**

If at any point a conflict of interpretation / information between the Policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities (“Regulatory Provisions”) arises, then interpretation of the Regulatory Provisions shall prevail.

In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the Policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions. The Board and/or its Committee reserve(s) the right to alter, modify, add, delete or amend any of the provisions of the Policy.

The Policy will be reviewed at least once in every three years by the Board.