

## GUIDELINES FOR RELATED PARTY TRANSACTIONS AND POLICY ON MATERIALITY OF RELATED PARTY TRANSACTION.

As a policy, on undertaking related party transactions, 3M India Limited adopts the following pricing arrangements to safeguard the arm's length basis of related party transactions:

Nature of related party transaction	Pricing policy
➤ Purchase of raw materials and goods	➤ Consistency in invoicing patterns (i.e. price lists) adopted by 3M Group for various countries including India
➤ Royalty	➤ Royalty rates and computational methodology are in accordance with those prescribed by RBI under the controlled regime
➤ Management Fees	➤ Based on pre-existing elements of services and the mode of allocation of costs, with or without an arm's length mark up
➤ Payment to related party individuals	➤ Services to be distinguished into routine and non-routine ➤ Pricing of services to be backed up by basis of charge ➤ Pricing of routine services to be benchmarked against comparable quotations, with allowances for factors such as experience, resources, skill and standing ➤ Non-routine services to be considered basis factors such as qualifications, skill and value

Apart from the above guidelines adopted on transaction-to-transaction basis, to give annual effect to the aforementioned pricing policy, 3M India would benchmark its related party transactions. Such analysis would be per the TNMM approach provided under the Income-tax Act, through an Independent consultant, to justify the arm's length nature of transactions.

All related party transactions require prior approval of the Audit Committee. The Company may obtain omnibus approval from the Audit Committee for such transactions. 3M India Limited will take approval from the shareholders not party to or interested in the transaction for all the material transactions with a related party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.