



3M INDIA LIMITED

RELATED PARTY TRANSACTIONS POLICY

1. Pricing Arrangements for Related Party Transactions

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 at arm's length pricing as per contractual agreement with the Related Party.
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	<ul style="list-style-type: none">• 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 qualification, skill and value.



Apart from the above guidelines adopted on a transaction-by-transaction basis, to give annual effect to the aforementioned pricing policy, 3M India Limited (“**the Company**”) would benchmark its related-party transactions. Such analysis would be conducted per the TNMM approach under the Income-tax Act, by an Independent consultant, to justify the arm’s length nature of the transactions.

All related-party transactions require prior approval from the Audit Committee (“**AC**”). 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 10% percent of the annual consolidated turnover of the company, as per the last audited financial statements of the company (“**Material RPTs**”).

2. Mechanism for Approval of RPTs and Subsequent Material Modifications

2.1 For transactions which are in the ordinary course of business and transactions which are on an arm’s Length basis

- Prior approval of the AC- only the Independent Directors to approve
- Prior approval of the shareholders by way of ordinary resolution for Material RPTs.

2.2 For transactions which are either not on an arm’s Length basis and are not in the ordinary course of business

- Recommendation to the AC prior to the transaction, only Independent Directors to approve
- Prior approval of the Board of Directors
- Prior approval from shareholders as on an ordinary resolution.

3. Material Modification

For above purpose, “Material Modification” shall mean any increase of 20% or more in the value a Related Party Transaction resulting in an upward variation of 20% or Rs. 10 crores whichever is higher, over the value previously approved by Audit Committee, the Board, or Shareholders, as the case may be.



4. Omnibus Approval

AC may grant omnibus approval for RPTs subject to:

- AC laying down the criteria for granting omnibus approval
- AC must satisfy itself the need for such approval and it is in the interest of the Company
- Such omnibus approval should specify the nature of transaction, names of RPTs, such other conditions as it may deem fit
- Review of RPTs on a quarterly basis

5. Information to be Placed Before the Audit Committee for Related Party Transactions

The Industry Standards Forum (“**ISF**”), comprising representatives from ASSOCHAM, CII and FICCI under the aegis of the Stock Exchanges and in consultation with SEBI, has prescribed industry standards on the “Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions” (“**RPT Industry Standards**”). The Company shall comply with the applicable RPT Industry Standards for the purposes of compliance with Regulation 23(2), 23(3), and 23(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

However, where a Related Party Transaction, individually or together with previous transaction(s) during a financial year (including transaction(s) approved by ratification), exceeds Rs. 1 crore but does not exceed the lower of:

- (i) 1% of the annual consolidated turnover of the listed entity as per the latest audited financial statements, or
- (ii) Rs. 10 crore,

The following minimum information shall be placed before the Audit Committee:

- (a) nature, material terms and particulars of the proposed transaction;
- (b) name of the related party and its relationship with the Company or its subsidiary, including the nature of interest, if any
- (c) tenure of the proposed transaction;
- (d) value of the proposed transaction;
- (e) percentage of the Company’s annual consolidated turnover represented by the transaction value and, in case of a subsidiary, the percentage of the subsidiary’s standalone annual turnover;



- (f) in case of loans, inter-corporate deposits, advances or investments:
 - i. source of funds;
 - ii. details of indebtedness incurred, including nature, cost and tenure;
 - iii. key terms including covenants, tenure, interest rate, repayment schedule and security, if any; and
 - iv. end-use of funds by the ultimate beneficiary;
- (g) justification for the transaction being in the interest of the Company
- (h) copy of valuation or external party report relied upon, if any;
- (i) percentage of the counterparty's annual consolidated turnover represented by the proposed RPT, on a voluntary basis; and
- (j) any other information considered relevant.

As per the relaxation under the relevant SEBI circular, the ISF Industry Standards and the above disclosure requirements shall not apply to RPTs which, individually or cumulatively with previous transactions during a financial year (including ratified transactions), do not exceed Rs. 1 crore. However, such transactions shall continue to require Audit Committee approval as RPTs.

6. Ratification of Related Party Transactions

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
- (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 authorized by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

7. Policy Review/ Amendments

This policy shall be reviewed by the Board of Directors of the Company at least once in every three years or at such intervals as may be prescribed under the Act or the SEBI Listing Regulations.

Any subsequent amendment(s) or modification(s) in the Act, SEBI Listing Regulations, applicable Accounting Standards or any other governing law, which makes any of the provision of this Policy inconsistent with such Act, SEBI Listing Regulations, Accounting Standards or other governing law, then the provisions of such Act, SEBI (LODR) Regulations, Accounting Standards or any other governing law shall prevail and shall mutatis mutandis be deemed to have been incorporated in this Policy.



DEFINITIONS

A. Related Party Transaction

As per Regulation 2 (zc) of SEBI (LODR) Regulations, “related party transaction” means a transaction involving a transfer of resources, services or obligations between:

- (i) 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
- (ii) 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:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. 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.

B. Related Parties

1. Meaning of “related party” under Section 2 (76) of the Act

Section 2 (76) of the Act defines a “related party” with reference to a company to mean:

- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager 1[or his relative] is a member or director;
- (v) a public company in which a director or manager 2[and holds] is a director or holds along with his relatives, more than two per cent. of its paid-up share capital;
- (vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- (viii) any body corporate which is-
 - (A) a holding, subsidiary or an associate company of such company; or
 - (B) a subsidiary of a holding company to which it is also a subsidiary;
 - (C) an investing company or the venturer of the company;

Explanation.- For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.]

- (ix) such other person as may be prescribed



2. Meaning of “related parties” under Indian Accounting Standard-24 (“Ind-AS24”)

As per Indian Accounting Standard- 24 (“Ind-AS24”) “related party” is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).

2.1 A person or a close member of that person’s family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

2.2 An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (i)
- (vii) A person identified in (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.3 Further, as per the Ind-AS 24:

- ‘Control’ is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities
- ‘Joint control’ is the contractually agreed sharing of control over an economic activity



- 'Significant influence' is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.
- A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

2.4 Further, as per section 2(27) of the Companies Act

“Control” shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

C. Relative

As per section 2(77) of the Companies Act, 2013, “relative”, with reference to any person, means any one who is related to another,

- (a) if they are members of a Hindu Undivided Family;
- (b) they are husband and wife
- (c) one person is related to the other in such manner as may be prescribed;

A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-

- (1) Father : Provided that the term “Father” includes step-father.
- (2) Mother: Provided that the term “Mother” includes the step-mother.
- (3) Son: Provided that the term “Son” includes the step-son.
- (4) Son’s wife.
- (5) Daughter.
- (6) Daughter’s husband.
- (7) Brother: Provided that the term “Brother” includes the step-brother;
- (8) Sister: Provided that the term “Sister” includes the step-sister.

D. Key Managerial Personnel

As per section 2(51) of the Companies Act, 2013, Key Managerial Personnel in relation to a Company shall mean –



- (a) the Chief Executive Officer or the managing director or the manager;
- (b) the company secretary;
- (c) the whole-time director;
- (d) the Chief Financial Officer; and
- (e) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- (f) such other officer as may be prescribed;

E. Holding Company

Holding Company as per section 2(46) of the Companies Act shall in relation to one or more other companies, means a company of which such companies are subsidiary companies.

Explanation - For the purposes of this clause, the expression "company" includes any body corporate.

F. Subsidiary Company or Subsidiary

Subsidiary Company or Subsidiary as per section 2(87) of the Companies Act shall, in relation to any other company, that is to say, the Holding company, means a company in which the holding company:

- (a) controls the composition of the Board of Directors; or
- (b) exercises or controls more than one-half of the Total Share Capital
 - either at its own; or
 - together with one or more of its subsidiary companies

Explanation:

- (i) company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (a) or sub-clause (b) is of another subsidiary company of the holding company;
- (ii) the composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company, by exercise of some power exercisable by it at its discretion, can appoint or remove all or a majority of the directors;
- (iii) the expression "company" includes any body corporate;
- (iv) "layer" in relation to a holding company means its subsidiary or subsidiaries;



G. Associate Company

Section 2(6) of Companies Act 2013, In relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation: For the purposes of this clause, “significant influence” means control of at least 20% of the total share capital, or of business decisions under an agreement. the expression “joint venture” means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement

H. Arms’ Length

Arm’s- length as per Section 188 (1) of the Companies Act, 2013 means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest,

I. Ordinary course of Business

Ordinary Course of Business is not specifically defined. This term and the term “usual course of business”, appears in multiple places under the regulatory framework dealing with related party transactions. In the context of the Company, it may broadly be considered to mean a transaction that is undertaken in the normal course of the Company’s business, is consistent with the usual practices, customs and commercial standards of the industry, and forms part of the Company’s regular business activities.

In determining whether a transaction is in the ordinary course of business, the Company shall consider the facts and circumstances of the transaction, including whether it is routine, recurring, undertaken for a commercial business purpose, and not stray, isolated or exceptional in nature, unless it is incidental the core business.