

ZF STEERING GEAR (INDIA) LIMITED

POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS

(Approved by the Board of Directors)

1. INTRODUCTION

ZF Steering Gear (India) Limited (the "Company") recognizes that certain relationships can present potential or actual conflicts of interest and may raise questions about whether transactions associated with such relationships are consistent with Company's and its stakeholders' best interests.

The Company must specifically ensure that certain Related Party Transactions (as defined below) are managed and disclosed in accordance with the strict legal and accounting requirements to which the Company is subject.

Therefore, this 'Policy on Materiality of and dealing with Related Party Transactions' has been adopted by the Company's Board of Directors in order to set forth the procedures under which certain transactions must be reviewed and approved or ratified.

The listing agreement with stock exchanges mandates formulation of a policy on transactions with Related Parties and dealing with Related Party Transactions. As part of its corporate governance practices, the Board of Directors (the "Board") of the Company has adopted the following policy and procedure with regard to Related Party Transactions.

2. APPLICABILITY AND EFFECTIVE DATE

This Policy will be applicable to the Company with effect from 01 October 2014 to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations.

3. PURPOSE

This Policy is framed based on requirements of listing agreement, entered by the Company with the stock exchanges and also to comply with the provisions of Section 188 of the Companies Act, 2013 and is intended to ensure the governance and reporting of transactions between the Company and its Related Parties.

4. DEFINITIONS

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

“Arm’s Length basis” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determination of Arm’s Length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.

“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.

Explanation- for the purposes of this clause, “significant influence” means Control of at least twenty per cent of total share capital, or of business decisions under an agreement.

“Audit Committee” or “Committee” means “Audit Committee” of the Board of Directors of the Company.

“Board of Directors” or “Board” means the Board of Directors of the Company.

“Company” means ZF Steering Gear (India) Limited.

“Key Managerial Personnel” means Key Managerial Personnel of the Company in terms of the Companies Act, 2013 and the Rules made there under.

“Policy” means Related Party Transaction Policy of the Company.

“Related Party” means a person or an entity:

- (i) Which is a related party under section 2(76) of the Companies Act, 2013; or
- (ii) Which is a related party under the applicable accounting standards.

“Related Party Transaction” means transaction in the nature of contract involving transfer of resources, services or obligations between the Company and the Related Party, regardless of whether a price is charged.

5. POLICY

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

5.1. Review and approval of Related Party Transactions

Audit Committee:

Every Related Party Transaction, if covered by Section 188 of the Act, shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by circulation. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into with the Company which are repetitive in nature and are in the ordinary course of business, subject to compliance of the conditions contained in Section 188 of the Act and Clause 49 of the listing agreement.

Any member of the Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee shall be provided with the necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions and/or prescribed under the Companies Act, 2013 and Rules there under, and the Listing Agreement with the Stock Exchanges.

Shareholders:

All the transactions, other than the Material Related Party Transactions, with the Related Parties which are not in the ordinary course of business or at Arm's Length basis shall require the approval of the shareholders through special resolution if so required under any law and the Related Parties shall abstain from voting on such resolution.

5.2. MATERIAL RELATED PARTY TRANSACTIONS

A transaction with a Related Party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the consolidated annual turnover as per the last audited financial statements of the Company.

6. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a 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 may examine the facts and circumstances of the case and take any such action it deems appropriate.

7. GENERAL PRINCIPLES

- i) The Independent Directors of the Company shall pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the Company.
- ii) The Audit Committee shall have the following powers with respect to Related Party Transactions:
 - To seek information from any employee.
 - To obtain outside legal or other professional advice.
 - To secure attendance of outsiders with relevant expertise, if it considers necessary.
 - To investigate any Related Party Transaction.
- iii) The Company while entering into any Related Party Transaction shall ensure that such Related Party Transaction is in the best interest of the Company and adheres to this Policy.

8. DISCLOSURES

The Company shall disclose the policy on Materiality of and dealing with Related Party Transactions on its website and web-link shall be provided in the Annual Report.

9. AMENDMENTS

- (i) Any subsequent amendment/ modification in the listing agreement and/or other applicable laws in this regard shall automatically apply to this Policy.
 - (ii) The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this policy entirely with a new Policy.
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