

POLICY ON RELATED PARTY TRANSACTIONS

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1. INTRODUCTION

This policy has been written in order to comply with the requirements of Reserve Bank of India (RBI) for Non-Banking Financial Company - Systemically Important Non-Deposit taking Company (NBFC-ND-SI). The policy will allow CNH Industrial Capital (India) Private Limited {hereinafter referred to as “the company” or as “CNHI Capital} to effectively comply with the provisions of Companies Act, 2013, accounting standards as issued by Institute of Chartered Accountants of India in relation to Related Party Transactions.

2. SCOPE/PURPOSE

The Board of Directors (the “Board”) of CNHI Capital adopted this policy with regard to Related Party Transaction, upon recommendation of the Audit Committee/Board to ensure that all related party transactions shall be subject to proper review, approval and ratification, as the case may be, in accordance with the directives set forth below. The key purpose of this policy are as follows:

- *To identify the related parties, updating and maintaining the database of such related parties and to identify the transactions of the company with such related parties.*
- *To explain the method in which the transactions between a company and its related parties will be dealt with.*
- *To structure a system to ensure timely, proper disclosure and reporting of transactions between the company and its related parties is complied with and for laying the process of obtaining the required approvals as per the applicable regulations and law.*

3. DEFINITIONS

- a) **“Act”** means the Companies Act, 2013.
- b) **“Audit Committee” or “Committee”** means a committee of the Board of Directors of CNH Industrial Capital (India) Private Limited constituted as per the RBI Master Directions.
- c) **“Arm’s Length Transactions”** means transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- d) **“Board of Directors” or “Board”** means the Board of Directors of CNH Industrial Capital (India) Private Limited.
- e) **“Company”** means CNH Industrial Capital (India) Private Limited or “CNHI Capital”
- f) **“Key Managerial Personnel” (KMP)** means key managerial personnel as defined under the Companies Act 2013 and includes:
 - (i) the Chief Executive Officer or the managing director or the manager;
 - (ii) the company secretary;

- (ii) the whole-time director;
 - (iii) the Chief Financial Officer;
 - (iv) 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
 - (v) such other officer as may be prescribed.
- g) **“Ordinary course of business”** means any matter which transpires as a matter of normal and incidental daily customs and practices in business and / or something which is done, as a matter of corporate historical practice, in the ordinary course of business and includes:
- (i) transactions covered in the ‘main objects’ or the ‘objects incidental’ to attainment of the main objects as envisaged in the Memorandum of Association of the Company;
 - (ii) transactions which are usually carried on by the Company;
 - (iii) transactions which has been done by the Company regularly;
 - (iv) transactions done with a Related Party on a similar basis as if a third party; and
 - (v) transactions or activity that is necessary, normal, regular and incidental to the business and involves significant amount of money or managerial resources that generates income for the Company.
- h) **“Related Party”** an entity shall be considered as related to the Company if:
- i) Such entity is a related party under Section 2(76) of the Companies Act, 2013; or
 - ii) Such entity is a related party under the applicable Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI).
- i) **“Related Party Transaction”** means all transactions between the Company on one hand and one or more related party on the other including contracts, arrangements and transactions as envisaged in Section 188(1) of the Companies Act, 2013 and/ or applicable Accounting Standards issued by the ICAI.
- j) **“Material Related Party Transaction”** means any transaction/transactions to be entered into individually or taken together with previous transactions during a financial year exceeding 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- k) **“Relative”** means a person who shall be deemed to be the relative of another if he or she is related to another in any one of the following manner:

- (i) Member of the Hindu Undivided Family
- (ii) Spouse
- (iii) Father
- (iv) Mother
- (v) Son
- (vi) Son's wife
- (vii) Daughter
- (viii) Daughter's husband
- (ix) Brother
- (x) Sister

- l) "**Transaction**" is an exchange or of goods, services, or funds. Transaction with a related party will comprise of a single transaction or a group of transactions in a contract.

4. IDENTIFICATION OF RELATED PARTIES & TRANSACTIONS

- a) If a Director or Key Managerial Personnel wishes to enter into a Related Party Transaction with the Company involving either them or their Relative, they shall give a notice to the Company Secretary along with all relevant details and documents.
- b) Notice of any Related Party Transactions, referred above shall be given well in advance so that the Company Secretary has adequate time to obtain additional information or documents about the proposed Related Party Transactions, if necessary, which is required to be placed before the Audit Committee to enable it to approve the said transactions.
- c) Every Director and Key Managerial Personnel shall make an annual disclosure to the Company Secretary as required under Section 184(1) of the Act with applicable rules made there under as may be amended from time to time.
- d) It will be the responsibility of the Directors and the KMPs to keep the Company updated immediately if there is a change in any of the declarations provided at the beginning of the year.

5. APPROVALS IN REFERENCE TO RELATED PARTY TRANSACTION

- **Audit Committee**

All the transactions which are identified as related party transactions should be pre-approved by the Audit Committee before entering into such transactions, irrespective whether such transactions are in the ordinary course of business and/or at arm's length or not.

- a) The Audit Committee (the Committee) of the Board shall review and, if considered appropriate, approve the Related Party Transactions. While considering all the Related Party Transactions, the following information shall be presented to the Committee:

- (i) the name of the Related Party and the basis on which such person or entity is a Related Party;
 - (ii) the Related Party's interest in the transactions, including the Related Party's position or relationship with, or ownership of, any entity that has an interest in the transactions;
 - (iii) the approximate monetary value of the transactions of the Related Party's interest in the transactions;
 - (iv) general description of the transactions, including material terms and conditions, if any;
 - (v) in the case of a lease or other transactions, providing for periodic payments or installments, the aggregate amount of all periodic payments or installments to be made;
 - (vi) in the case of loan, the aggregate amount of loan and the rate/amount of interest payable on such loan;
 - (vii) in case of guarantees issued, the aggregate amount of guarantees and commission, if any, to be payable on such guarantees;
 - (viii) an assessment of whether the transactions are on terms that are comparable with the terms available to unrelated parties or to the employees generally; and
 - (ix) any other material information regarding the transactions or the Related Party's interest in the transactions.
- b) No member of the Committee shall participate in the review, consideration or approval of any Related Party Transactions with respect to which such member or any of their relative is a Related Party.
- c) If any material information with respect to such transactions shall change subsequent to the Committee's review of such transactions, the Committee shall be presented with the updated information for its approval.
- d) If any additional Related Party Transactions is proposed to be entered into, subsequent to the Committee's approval, management shall present such transactions to the Committee for approval before entering into such transactions.
- e) The Audit Committee may grant Omnibus approval for related party transactions which are repetitive in nature and subject to such criteria/conditions as it may consider necessary in line with this policy and in the interest of the Company.

All related party transactions shall require approval of the Audit Committee and the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the company subject to the following conditions, namely

- (1) The Audit Committee shall, after obtaining approval of the Board of Directors, specify

the criteria for making the omnibus approval which shall include the following, namely:

- (a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - (b) the maximum value per transaction which can be allowed;
 - (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - (d) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
 - (e) transactions which cannot be subject to the omnibus approval by the Audit Committee.
- (2) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:
- (a) repetitiveness of the transactions (in past or in future);
 - (b) justification for the need of omnibus approval.
- (3) The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.
- (4) The omnibus approval shall contain or indicate the following:
- (a) name of the related parties;
 - (b) nature and duration of the transaction;
 - (c) maximum amount of transaction that can be entered into;
 - (d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
 - (e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:
- Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.
- (5) Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.

(6) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

(7) Any other conditions as the Audit Committee may deem fit.

• **Board's Approval**

- a) The following Related Party Transactions shall be placed before the Board of Directors for approval, on being referred by the Audit Committee:
- (i) Related Party Transactions referred by the Audit Committee;
 - (ii) Related Party Transactions not on Arm's Length basis / Arm's Length Price, and/or;
 - (iii) Related Party Transactions not in the Ordinary Course of Business.
- b) The agenda of the Board meeting at which the resolution is proposed shall disclose:
- (i) the name of the Related Party as well as the nature of the relationship;
 - (ii) the nature and duration of the contract and particulars of the contract or arrangement;
 - (iii) the material terms of the contract or arrangement including the value, if any
 - (iv) any advance paid or received for the contract or arrangement, if any;
 - (v) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
 - (vi) 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
 - (vii) any other information relevant or important for the Board to take a decision on the proposed transaction in line with the applicable legal requirements.
- c) Any Director that has an interest in any contract or arrangement with a related party will excuse himself and will abstain from any discussion and voting on the approval of the Related Party Transaction.

• **Shareholder's approval**

The Related Party Transactions which are likely to exceed the thresholds prescribed under the Companies Act 2013, the same will require prior approval of the Board of Directors and shareholders by a resolution. Such transactions includes any contract, transaction, arrangement or

relationship or any series of contracts, transactions, arrangements or relationships, and such transactions shall:

- (i) not be in the ordinary course of business but at arm's length; or
- (ii) be in the ordinary Course of business but not at arm's length; or
- (iii) not be in the ordinary course of business and not at arm's length basis; and
- (iv) have the aggregate amount or value exceeding USD 1,000,000 in any fiscal year. This requirement also includes any material amendment or modification to an existing related party transaction.

Shareholder approval is not needed for any contract, transaction or arrangement, or series of contracts, transactions or arrangement, which are solely between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholder at the general meeting for approval.

6. DISCLOSURES

Appropriate disclosures as required by the Act and Reserve Bank of India will be made in the Annual Return and the Board's Report of the Company.

7. REVIEW OF THE POLICY

This Policy shall be reviewed by the Audit Committee every year, in order to align with the ongoing regulatory and business requirements. The policy as reviewed by the Audit Committee shall be placed before the Board for its approval.

8. APPROVALS

| Approver | Date | Signature |
|------------------|------|-----------|
| Daniel McTaggart | | |
| Raunak Varma | | |