

# CUMMINS INDIA LIMITED

## Related Party Transactions Policy

The Board of Directors of Cummins India Limited (“the Company”) has adopted the following policy and procedures with regard to Related Party Transactions for determining materiality of the Related Party Transactions, material modifications to Related Party Transactions and to lay down principles for transacting with related parties.

### 1. Objectives and Purpose:

- 1.1. The Objective of this Policy is to ensure that all Related Party Transactions (“RPT”) entered into by the Company are reviewed and approved by the Audit and Compliance Committee (“the Committee”) in line with the requirements as prescribed under Companies Act, 2013 (“Act”) and Rules framed thereunder and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 (“SEBI LODR”) and amendments thereof.
- 1.2. This Policy is also intended to ensure the identification, approval, reporting and disclosure of transactions between the Company and any ‘Related Party’ as per the requirements of the Act and SEBI LODR.
- 1.3. Additionally, this Policy also *inter-alia* contains the process for review and approval of material related party transactions.

### 2. Definitions:

- 2.1. **Board:** Means Board of Directors of the Company.
- 2.2. **Control:** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 including amendments thereof.
- 2.3. **Audit and Compliance Committee or the Committee:** Means Audit and Compliance Committee of the Board of Directors of the Company constituted under the applicable laws.
- 2.4. **Key Managerial Personnel:** Means key managerial personnel, as defined under the Companies Act, 2013 from time to time and presently, means:-
  - a. the Chief Executive Officer or the Managing Director or the Manager;
  - b. the Company Secretary;
  - c. the Whole-time Director;
  - d. Chief Financial Officer;

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- 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.

#### **2.5. Arms' Length Transaction(s):** Means

- a. a transaction between the Company and the Related Party that is conducted as if they were unrelated so that there is no conflict of interest and
- b. a transaction where price applied or proposed to be applied has in no case been influenced by the relationship of the parties and the pricing is at arm's length as defined under Income Tax Act, 1961 as amended from time to time.

#### **2.6. Ordinary Course of Business:** Means a transaction wherein any of the following conditions are satisfied:

- a. is carried out in the normal course of business envisaged in accordance with the Memorandum of Association ('MOA') of the Company as amended from time to time, or
- b. is as per historical practice with a pattern of frequency, or
- c. is in connection with the normal business carried on by the Company, or
- d. is common commercial practice, or
- e. meets other parameters/criteria as decided by the Board/Audit and Compliance Committee, if any.

#### **2.7. Material Related Party Transaction:** Means a transaction with a Related Party if the transaction/ transactions to be entered into individually or taken together with previous transactions during a Financial Year, exceeds the following thresholds:

- In case of transactions involving payments made with respect to brand usage or royalty, exceeding five (5) percent of the annual consolidated turnover of the Company as per its last audited financial statements or
- In case of any other transaction(s),
  - (i) where the annual consolidated turnover of the Company is up to rupees twenty (20) thousand crore, the materiality threshold shall be ten (10) percent of such annual consolidated turnover;
  - (ii) where the annual consolidated turnover exceeds rupees twenty (20)

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thousand crore but does not exceed rupees forty (40) thousand crore, the materiality threshold shall be rupees two (2) thousand crore plus five (5) percent of the annual consolidated turnover exceeding rupees twenty (20) thousand crore;

- (iii) where the annual consolidated turnover exceeds rupees forty (40) thousand crore, the materiality threshold shall be rupees three (3) thousand crore plus two and a half (2.5) percent of the annual consolidated turnover exceeding rupees forty (40) thousand crore or rupees five (5) thousand crore, whichever is lower.

**Explanation:** "Turnover" means the aggregate value of the realisation of amount made from the sale, supply or distribution of goods or on account of services rendered, or both, by the Company during a Financial Year.

**2.8. Related Party Transaction:** shall have the meaning as defined under Regulation 2(1)(zc) of the SEBI LODR or as envisaged in Section 188(1) of the Companies Act, 2013 as amended from time to time.

**2.9. Related Party:** shall have the meaning as defined in Section 2(76) of the Companies Act, 2013 and Regulation 2(1)(zb) of the SEBI LODR as amended from time to time.

Reference and reliance may be placed on the clarifications issued by the Ministry of the Corporate Affairs, Government of India, SEBI and other Authorities from time to time on the interpretation of the terms "Related Party" and "Related Party Transaction".

**2.10. Relative:** shall have the meaning as defined under the Companies Act, 2013 as amended from time to time.

**2.11. Senior Management:** shall be persons identified by the Board of Directors of the Company pursuant to relevant provisions of SEBI LODR as amended from time to time.

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**2.12. Material Modification:** Means any amendment or modification to related party transaction contract affecting the following terms of the transaction/transactions:

- **Value:** If the modification results in a change greater than 25% of the approved transaction value (approved by the Audit and Compliance Committee and/or shareholders) and where the related monetary impact is greater than INR 25 crore, for any sub-category of transactions, thereby affecting the overall value of individual or aggregated transactions with the related party during the financial year.
- **Nature of transaction:** Any change in the nature or type of transaction.
- **Tenure:** Any change in tenure of the transaction by 25% or more of the original tenure already agreed upon not having any financial implication.
- **Penalty:** Any change in the penalty rates or amount having a financial impact exceeding 10% with respect to earlier agreed penalty clause in the contract with the related parties.
- **Change in parties, Novation:** Any change in parties or novation of the contract or arrangement to a third party.

In addition to the above, at its discretion, the Audit and Compliance Committee may take cognizance of any modification in the existing related party transaction(s) independently, as to whether it amounts to material modification or not and further issue directions.

**2.13.** Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, SEBI LODR or any other applicable law or regulation.

### **3. Policy:**

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

#### **3.1. Identification of related parties and Potential RPTs:**

- A. All Directors and Key Managerial Personnel are responsible for informing the Company of their interest (including their indirect interest) in other companies, firms, trusts, body corporate(s) or concerns at the beginning of every financial year and any change in such interest during the year.
- B. Key Managerial Personnel and Senior Management on annual or quarterly basis shall report to the Committee any potential RPTs for its approval. The Company may seek requisite disclosures and information, as may be

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deemed necessary to identify a Related Party.

### 3.2. Review and Approval of RPTs:

To review RPTs, the Committee will be provided with all relevant information of the Related Party Transaction, including the terms of the transaction, threshold limits, parties with whom transactions are being entered into and other relevant matters including but not limited to the information as may be specified and required under or by applicable law/ notification/ circulars or regulation(s) as may be amended from time to time.

#### 3.2.1 Transactions requiring approval of Audit and Compliance Committee:

Only those members of the Audit and Compliance Committee, who are Independent Directors shall approve the RPTs. Following transactions shall require prior approval of the Committee:

- i) All RPTs and subsequent material modifications; and
- ii) Any RPT in which the subsidiary of the Company is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a Financial Year exceeds the lower of ten (10) percent of the annual standalone turnover, as per the last audited Financial Statements of the subsidiary or the threshold for material related party transactions of the Company as mentioned in clause 2.7 of this policy.

Remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit and compliance committee provided that the same is not a material transactions under Regulation 23(1) of SEBI LODR.

#### 3.2.2 Transactions requiring approval of Board:

Following transactions shall require approval of the Board:

- i) RPTs not in the ordinary course of business or not at arm's length price.
- ii) Material Related Party Transactions and subsequent material modifications.

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#### **3.2.3 Transactions requiring approval of Shareholders of the Company:**

1. All Material Related Party Transactions and subsequent material modifications shall require prior approval of the shareholders of the Company by way of a resolution passed at the General Meeting of the Company and no related party shall vote to approve such resolutions whether the Company is a party to the particular transaction or not.
2. All Related Party Transactions which are not in the ordinary course of business or not at arm's length and which are in excess of the limits prescribed under the Act requiring the approval of Shareholders by way of a resolution passed at the General Meeting of the Company; and in such cases, the Related Party/(ies) to the transaction shall abstain from voting on such resolution.
3. All Material Related Party Transactions entered by the unlisted subsidiary of the Company, where the Company is not a party, shall require prior approval of the shareholders of the Company if the value of such transaction exceeds the lower of ten (10) percent of Consolidated turnover of the Company or the threshold for material related party transactions of the Company as mentioned in clause 2.7 of this policy.

#### **3.3. Compliance related to RPTs:**

- a. All RPTs and subsequent material modification shall require prior approval of the Committee. However, the Committee may grant omnibus approval for RPTs proposed to be entered into by the Company or its subsidiary, which are repetitive in nature and subject to such criteria / conditions as mentioned under the Companies Act, 2013, and the SEBI LODR and such other conditions as it may consider necessary in line with this Policy and in the interest of the Company, subject to the following conditions:
  - i. The Committee will consider the following factors, among others, to the extent relevant to the RPT:-
    - Whether the terms of the RPT are fair and on arm's length basis to the Company and
    - Whether such approval is in the interest of the Company
    - Whether the Related Party Transaction would affect the independence of an Independent Director.
    - Whether RPT is within the threshold limits approved by the

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- ii. 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 conditions as the Committee may deem fit on case to case basis; Provided that, where the need for RPT cannot be foreseen and aforesaid details are not available, the Committee may grant omnibus approval for such transactions, subject to their value not exceeding Rs.1 crore per transaction.
  - iii. The Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company or its subsidiary, pursuant to each of the omnibus approval given.
  - iv. 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.
- b. The Board shall set the threshold limits for related party transactions for each financial year. Further, if required, the Board shall revise the threshold limits during the financial year.
- c. Any Member of the Committee who has a potential interest in any RPT will excuse himself/ herself and abstain from discussion and voting on the approval of the RPT.
- d. Further, all Material Related Party Transactions and subsequent material modifications shall require approval of the Board of Directors and shareholders of the Company, through resolution and no related party shall vote to approve such resolutions whether the entity is a party to the particular transaction or not.
- e. Clause 3.3 of the Policy shall not be applicable, if the Company enters in to or proposes to enter in to any transaction/s with its wholly owned subsidiary or any transaction between two wholly owned subsidiaries of the Company, if any, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

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### 4. Ratification of Related Party Transactions:

Notwithstanding anything contained in this policy, the members of the Audit and Compliance 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:

- i. 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;
- ii. the transaction is not material in terms of the provisions of SEBI LODR.
- iii. rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- iv. the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of SEBI LODR;
- v. any other condition as specified by the Audit and Compliance Committee.

Further, failure to seek ratification of the Audit and Compliance Committee shall render the transaction voidable at the option of the Audit and Compliance Committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it.

### 5. Disclosure(s):

Disclosures as appropriate concerning the Related Party Transactions and/or Material Related Party Transactions, as the case may be, shall be made in the Annual Report of the Company including its Financial Statements and also to the Stock Exchanges where equity shares of the Company are listed and to such other authority as may be prescribed under the applicable laws.

### 6. Review/ Amendment of the Policy:

The Board of Directors shall review the Policy at least once every three years and shall amend/ alter/ modify this Policy as may be required in accordance with the applicable laws, rules and regulations or otherwise (“applicable laws”).

Any amendment in the regulatory requirements shall be binding on the

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Company and shall prevail over this Policy, even if not incorporated in the Policy. In any circumstance where the terms of the Policy differ from any applicable law for the time being in force, the provisions of such applicable law shall take precedence over the Policy.

Approved By: Board of Directors on November 6, 2014

Effective Date: October 1, 2014

First Modification Date: February 10, 2022

Second Modification Date: February 05, 2025

Third Modification Date: February 04, 2026

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