



MAXWELL INDUSTRIES LIMITED

RELATED PARTY TRANSACTION POLICY & PROCEDURE

Introduction

Maxwell Industries Limited (the "Company" or "Maxwell") recognizes that Related Party Transactions (as defined below) can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company's and its stockholders' best interests.

Therefore, this policy regarding the review and approval of Related Party Transactions has been adopted by the Company's Audit Committee and Board of Directors in order to set forth the procedures under which certain transactions must be reviewed and approved or ratified.

Definition

- A. "Related party", with reference to a company, means -
1. a director or his relative;
 2. a key managerial personnel or his relative;
 3. a firm, in which a director, manager or his relative is a partner;
 4. a private company in which a director or manager is a member or director;
 5. a public company in which a director or manager is a director or holds along with his relatives, more than 2 percent of its paid-up share capital;
 6. 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;
 7. any person on whose advice, directions or instructions a director or manager is accustomed to act:
Provided that nothing in sub-clauses (6) and (7) shall apply to the advice, directions or instructions given in a professional capacity;
 8. any company 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;
 9. a director or key managerial personnel of the holding, subsidiary or associate company of such company or his relative;

10. any person appointed in senior management in the company or its holding, subsidiary or associate company i.e. personnel of the company or its holding, subsidiary or associate company who are members of core management team excluding Board of directors comprising all members of management one level below the executive directors, including the functional heads.

B. Other than Individuals:

- a firm, in which a director, manager or his relative is a partner
- a private company in which a director or manager is a member or director
- a holding, subsidiary or an associate company
- fellow subsidiary
- a public company in which a director or manager is a director or holds along with his relatives, more than 2 percent of its paid-up share capital
- any body-corporate whose BODs, MD or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager.

C. Transactions which are deemed as related party transactions:

Any transaction between a company and its related party relating to:

- sale, purchase or supply of any goods or materials;
- selling or otherwise disposing of, or buying, property of any kind;
- leasing of property of any kind;
- availing or rendering of any services;
- appointment of any agent for purchase or sale of goods, materials, services or property;
- such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- underwriting the subscription of any securities or derivatives thereof, of the company.

“office or place of profit” means any office or place -

(i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

Procedure

Prior to the entry into any potential Related Party Transaction, such transaction will be reported to CFO or Company Secretary of the Company. Any potential Related Party Transaction that is brought to CFO or Company Secretary attention is analyzed by CFO or Company Secretary, in consultation with management and with outside consultants, as appropriate, to determine whether the transaction or relationship does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

Once identified by CFO or Company Secretary, all Related Party Transactions shall be reported promptly to the Audit Committee by CFO or Company Secretary, or in the event that the CFO or Company Secretary has an interest in the Related Party Transaction, the transaction shall be reported to the Audit Committee by Whole time director of the Company.

The Audit Committee shall be provided with the material facts of all new, existing or proposed Related Party Transactions. The Audit Committee will determine whether to refer the Related Party Transaction to the Board of Directors for consideration or whether such transaction shall be deemed pre-approved as described below in "Pre-Approved Transactions."

Upon determination, the Audit Committee will refer all Related Party Transactions requiring approval pursuant to this policy to the Board of Directors.

All new Related Party Transactions (including the terms of the transaction and the business purpose of the transaction) must be either approved or disapproved by the Board of Directors; any pre-existing Related Party Transactions, if not previously reviewed, must be either ratified or rescinded by the Board of Directors.

In assessing a Related Party Transaction, the Board of Directors shall consider such factors as it deems appropriate: including without limitation (i) the business reasons for Maxwell to enter into the Related Party Transaction; (ii) the commercial reasonableness of the terms of the Related Party Transaction; (iii) the materiality of the Related Party Transaction to Maxwell; (iv) whether the terms of the Related Party Transaction are fair to Maxwell and on the same basis as would apply if the transaction did not involve a Related Party; (v) the extent of the Related Party's interest in the Related Party Transaction; (vi) if applicable, the impact of the Related Party Transaction on a non-employee director's independence; and (vii) the actual or apparent conflict of interest of the Related Party participating in the Related Party Transaction.

In the event that CFO or Company Secretary becomes aware of a Related Party Transaction that was not previously approved or ratified under this policy, the CFO or Company Secretary will promptly notify the Board of Directors and the Board of Directors will consider whether the Related Party Transaction should be ratified or rescinded or other action should be taken.

A Related Party Transaction may be approved (i) by the vote of a majority of the directors that are not Related Parties at a meeting of the Board of Directors or (ii) by unanimous approval of a Unanimous Written Consent, provided that a majority of the directors are not Related Parties and that the Transaction in question has previously been discussed at a meeting of the Board of Directors. Other than by providing written consent, no director who is a Related Party shall participate in the evaluation or approval of any Related Party Transaction for which he or she is a Related Party, except that the director shall provide all material information concerning the Related Party Transaction to the Board of Directors and may otherwise participate in some or all of the Board of Directors' discussions if so requested by the Board of Directors.

If a Related Party Transaction will be ongoing, the Board of Directors may, in its discretion, establish guidelines for CFO or Company Secretary, management to follow in its ongoing dealings with the Related Party. Thereafter, the Board of Directors shall periodically review and assess ongoing relationships with the Related Party to see that they are in compliance with the Board of Directors' guidelines.

Pre-Approved Transactions

The following types of transactions will be deemed to be pre-approved by the Board of Directors ("Pre-Approved Transactions"), will not be reviewed by the Board of Directors and do not require approval or ratification:

Transactions in the ordinary course of business that do not exceed 1% of Turnover or net worth or 0.5% of total expenditure in any fiscal year;

Executive officer and director compensation arrangements approved by the Compensation Committee of the Board of Directors;

Transactions in which the Related Party's interest is derived solely from the fact that he or she serves as director of another corporation or organization that is a party to the transaction;

Transactions available to all employees generally.

Disclosure

The policy will be disclosed annual in the annual report of the Company.
