



Hindustan Copper Limited

**Policy on
Materiality of Related Party Transactions
&
Dealing with Related Party Transactions**

Effective from 8th April, 2015

Revised on 22nd August, 2022

1. Introduction

- 1.1 This Policy deals with Materiality of Related Party Transactions (RPTs) and dealing with the RPTs in terms of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), which states that the Company shall formulate a Policy on materiality of RPTs and also on dealing with RPTs.

2. Applicability

- 2.1 This Policy shall be applicable to all Related Party Transactions between the Company and its Related Parties.
- 2.2 This Policy is effective from 8th April, 2015.

3. Purpose

- 3.1 This Policy is intended to ensure the approval mechanism and reporting of transactions between the Company and its related parties as defined in the Policy in accordance with the Companies Act, 2013 and Regulation 23 of the SEBI Listing Regulations. It may be modified pursuant to the amendments in the Companies Act, 2013 and the SEBI Listing Regulations.

4. Definitions

- 4.1 “Act” means the Companies Act, 2013 including any amendment or modification thereof.
- 4.2 “Arm’s length transactions”: As per Section 188 of the Act, arm’s length transaction means “a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest”.
- 4.3 “Associate company”, 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: (a) For the purposes of this clause, "significant influence" means control of at least 20% of total voting power or control of or participation in business decisions under an agreement. (b) 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.

- 4.4 “Audit Committee” means the Audit Committee of the Board formed by the Board of Directors of the Company.
- 4.5 “Company” means Hindustan Copper Limited or HCL.
- 4.6 “Key Managerial Personnel” or KMP, as defined in Section 2(51) of the Act, in relation to the Company, means -
- The Chief Executive Officer or the Managing Director or the Manager
 - The Company Secretary.
 - The Whole Time Director

- Chief Financial Officer
- 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
- Such other officer as may be prescribed.

4.7 'Material modification' in relation to related party transaction shall mean any modification to an existing related party transaction that will result in an increase of more than ten percent of the amount approved by the Audit Committee and / or shareholders, as applicable.

4.8 "Material Related Party Transactions": In accordance with Regulation 23 of SEBI Listing Regulations, 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 rupees one thousand crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

4.9 "Policy" means Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions of HCL.

4.10 "Related Party": An entity shall be considered as related to the company if:

- A. such entity is a related party as per Regulation 2(1)(zb) of SEBI Listing Regulations, which defines Related Party as follows:
- i) such entity is a related party under section 2(76) of the Act; or
 - ii) such entity is a related party under the applicable Accounting Standards.

[Provided that:

(a) any person or entity forming a part of the promoter or promoter group of the Company; or

(b) any person or any entity, holding equity shares: (i) of 20% or more; or (ii) of 10% or more, with effect from April 1, 2023 in the Company either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year shall be deemed to be a related party.]

- B. such entity is a related party under Section 2(76) of the Act, which are as follows:
- 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 (or his relative) is a member or director;
 - v) A public company in which a director or manager is a director and holds along with his relatives, more than two percent 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; [Except advice, directions or instructions given in a professional capacity]
- vii) Any person on whose advice, directions or instructions a director or manager is accustomed to act; [Except advice, directions or instructions given in a professional capacity]
- viii) 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;
 - c) an investing company or the venturer of the company; [for 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) A director (other than an independent director) or key managerial personnel of the holding company or his relative with reference to a company.

C. Such entity is a related party under the applicable Accounting Standards. The applicable Accounting Standard 18 issued by ICAI defines related party as under:

“parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/ or operating decisions.”

4.11 “Related Party Transactions” or (RPT): In accordance with Regulation 2(1) (zc) of SEBI Listing Regulations, related party transaction is a transfer of resources, services or obligations between:

- (i) the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- (ii) the Company 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 Company 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.

However, 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 SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions by the listed entity 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

In accordance with Section 188 of the Act, Related Party Transaction includes the following transactions between the related parties:

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

[Explanation: Approval under Section 188 of the Companies Act, 2013 for above related party transactions is not required if entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis]

- 4.12 "Relative": In accordance with Section 2 (77) of the Act, relative with reference to any person means anyone who is related to another, if:
- i) they are members of a Hindu Undivided Family;
 - ii) they are husband and wife; or
 - iii) if he or she is related to another in the following manner, namely:-
 - Father: Provided that the term "Father" includes step-father.
 - Mother: Provided that the term "Mother" includes the step-mother.
 - Son: Provided that the term "Son" includes the step-son.
 - Son's wife.
 - Daughter.
 - Daughter's husband.
 - Brother: Provided that the term "Brother" includes the step-brother;
 - Sister: Provided that the term "Sister" includes the step-sister;
- 4.13 "SEBI Listing Regulations" means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any amendment or modification thereof.
- 4.14 Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013 and rules notified thereunder and provisions of the SEBI Listing Regulations.

5. Approval of Related Party Transactions

5.1 Approval by Audit Committee of the Board:

- 5.1.1 All Related Party Transactions (RPTs) and subsequent material modifications shall require prior approval of the Audit Committee of the Board. Only those members of the Audit Committee, who are Independent Directors, shall approve RPTs.

RPTs where the subsidiary is a party but the Company is not a party shall also require approval of Audit Committee of the Company (a) if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover, as per the last audited financial statements of the Company; (b) with effect from April 1, 2023, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

- 5.1.2 The Audit Committee may grant omnibus approval for the proposed RPTs subject to the following conditions:

- (a) The Audit Committee shall lay down criteria for granting the omnibus approval in line with the policy on RPTs of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- (b) The Audit Committee shall satisfy the need for such omnibus approval and that such approval is in the interest of the Company.
- (c) Such omnibus approval shall specify (i) the name(s) of the Related Party, nature of transaction, period 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 Audit Committee may deem fit.

Provided that where the need for RPT can not be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees one crore per transaction.

- (d) The Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
 - (e) Omnibus approval where granted shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
 - (f) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- 5.1.3 Information to be reviewed by the Audit Committee for approval of RPTs

The following information are to be provided to the Audit Committee for approval of a proposed RPT:

- a) Type, material terms and particulars of the proposed transaction;
- b) Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);

- c) Tenure of the proposed transaction;
- d) Value of the proposed transaction;
- e) The percentage of the Company's annual consolidated turnover for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- f) If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
 - i. details of the source of funds in connection with the proposed transaction;
 - ii. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g) Justification as to why the RPT is in the interest of the Company;
- h) A copy of the valuation or other external party report, if any such report has been relied upon;
- i) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- j) Any other information that may be relevant
- k) The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

5.2 Approval by Board of Directors:

5.2.1 The Company shall not enter into any contract or arrangement with respect to the following with a related party without the consent of the Board given by a resolution at a meeting of the Board:

- (a) sale, purchase or supply of any goods or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (c) leasing of property of any kind;
- (d) availing or rendering of any services;

- (e) appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the Company;

Provided that Board approval shall not be required for any transactions entered into by the Company in its ordinary course of business other than transactions which are not on an arm's length basis:

[Explanation: the expression "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]

- (g) Transactions which fall under the category of the material related party transactions and subsequent material modifications thereof which are to be placed before the shareholders for their approval.

5.2.2 The Board agenda relating to approval of proposed RPTs shall contain the following information:

- (a) the name of the related party and nature of relationship;
- (b) the nature, duration of the contract and particulars of the contract or arrangement;
- (c) the material terms of the contract or arrangement including the value, if any;
- (d) any advance paid or received for the contract or arrangement, if any;
- (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (f) 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
- (g) any other information relevant or important for the Board to take a decision on the proposed transaction.

5.2.3 Where any Director is interested in any contract or arrangement with a related party, such Director shall not be present at the meeting during discussions on such contract or arrangement-

5.3 Approval by Shareholders:

5.3.1 All material RPTs and subsequent material modifications shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Provided that prior approval of shareholders shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

5.3.2 Except with the prior approval of the Shareholders by a resolution, the Company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into relates to:

- (i) sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to 10% or more of the turnover of the Company,
- (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to 10% or more of net worth of the Company,
- (iii) leasing of property any kind amounting to 10% or more of the turnover of the Company,
- (iv) availing or rendering of any services, directly or through appointment of agent, amounting to 10% or more of the turnover of the Company,

Explanation- Limits specified in sub-clause (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

- (v) appointment to any office or place of profit in the Company, its subsidiary Company or associate Company at a monthly remuneration exceeding Rs.2.5 lakh,
- (vi) remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company exceeding 1% of the net worth,

Explanation- (1) The turnover or net worth referred in the above sub-clause shall be computed on the basis of the audited financial statement of the preceding financial year.

5.3.3 The notice being sent to the shareholders seeking approval for any proposed RPT shall include the following information as a part of the explanatory statement:

- (i) name of the related party;

- (ii) name of the director or key managerial personnel who is related, if any;
- (iii) nature of relationship;
- (iv) nature, material terms, monetary value and particulars of the contract or arrangements;
- (v) any other information relevant or important for the members to take a decision on the proposed resolution.
- (vi) A summary of the information provided by the management of the Company to the Audit Committee;
- (vii) Justification for why the proposed transaction is in the interest of the Company;
- (viii) Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details as placed to the Audit Committee;
- (ix) A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- (x) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- (xi) Any other information that may be relevant.

5.4 The following transactions are exempted from the requirement of obtaining approval of Audit Committee and also of Shareholders:

- RPT to which the listed subsidiary is a party but the Company is not a party, if Regulation 23 and 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.
- Transactions entered into between two Government Companies.
- Transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- Transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

6. Disclosure Requirements

6.1 Disclosure to Stock Exchanges:

The Company shall submit to the stock exchanges disclosures of RPTs in the format and time line as specified by the SEBI from time to time, and publish the same on its website.

6.2 Disclosure of Policy Company's website:

HCL shall disclose this Policy on its website and a web-link thereto shall be provided in the Annual Report.

6.3 Disclosure in Board's Report:

Contract or arrangement entered into with Related Parties requiring Board's and Company's approval under Section 188 of the Act shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

7. Amendments

Any amendment in the provisions of the Act and/or SEBI Listing Regulations relating to RPTs will be incorporated in the Policy with the approval of CMD, HCL and shall be informed to the Board.
