



Hindustan Copper Limited

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

(w.e.f. 8.4.2015)

1. Introduction

- 1.1 This Policy deals with Materiality of Related Party Transactions (RPTs) and dealing with the RPTs in terms of the Clause 49 of the Listing Agreement, 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 shall be effective from 8.4.2015.

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 Clause 49 of the Listing Agreement. It may be modified pursuant to the amendments in the Companies Act, 2013 and the Listing Agreement.

4. Definitions

- 4.1 “Act” means the Companies Act, 2013 including any amendment or modification thereof.
- 4.2 “Audit Committee” means the Audit Committee of the Board formed by the Board of Directors of the Company.
- 4.3 “Clause 49” means the Clause 49 of the Listing Agreement, as entered into by the Company with the stock exchanges including any amendment or modification thereof.
- 4.4 “Company” means Hindustan Copper Limited or HCL.
- 4.5 “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: For the purposes of this clause, "significant influence" means control of at least 20% of total share capital, or of business decisions under an agreement.

- 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 and
 - Such other officer as may be prescribed.
- 4.7 “Related Party”: An entity shall be considered as related to the company if:

- A. such entity is a related party as per Clause 49, 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 Standard.
- 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;
 - ix) A 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.”

- 4.8 “Related Party Transactions” or (RPT): In accordance with Clause 49, related party transaction is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

Explanation: A “transaction” with a related party shall be construed to include single transaction or a group of transactions in a contract.”

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.
- 4.9 “Material Related Party Transactions”: In accordance with Clause 49, 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 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the company.
- 4.10 “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”.
- 4.11 “Policy” means Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions of HCL.
- 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 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 Listing Agreement.

5. Dealing with Related Party Transactions

5.1 Approvals

I. Approval by Audit Committee of the Board:

All Related Party Transactions (RPTs) shall require prior approval of the Audit Committee of the Board. However, the Audit Committee may grant omnibus approval for RPTs proposed to be entered into by the Company 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) Such 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) In terms of Clause 49, the following transactions are exempted from the requirement of obtaining the Audit Committee approval:
 - 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.

II. Approval by Board of Directors and Shareholders:

In accordance with Section 188 of the Act and Clause 49, the Board of Directors and Shareholders of the Company shall accord prior approval for RPTs, subject to the following:

- (a) **Board of Director's and Shareholders approval in terms of the Companies Act, 2013** - All RPTs which are either not on arm's length basis or not in the Ordinary Course of Business shall be recommended by the Audit Committee for approval of the Board of Directors. The Board of Directors shall further recommend the same for approval of the Shareholders by way of special resolution, in case the said transactions exceed the value as prescribed under Section 188 of the Act and the Companies (Meetings of Board & its Powers) Rules, 2014
- (b) **Board of Director's and Shareholders approval in terms of Clause 49 of the Listing Agreement** - In terms of Clause 49 of the Listing Agreement, all material RPTs shall be recommended by the Board of Directors to the Shareholders for their approval by way of special resolution.

All entities falling under the definition of Related Parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

(c) **Exemption from Shareholders approval** - In terms of Clause 49, the following transactions are exempted from the requirement of obtaining the Audit Committee approval:

- 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.

5.2 Identification of Potential Related Party Transactions

- I. Each Director and KMP shall be responsible for giving notice to the Company about any potential RPTs, where he/she may be interested.
- II. In case of any potential RPTs which is being proposed to be entered (including any proposed modifications) by the Company with its Subsidiaries / Associate Company, the Head of the Subsidiaries and Associate Company shall be responsible to intimate details of such potential RPTs to the Audit Committee.

5.3 Pre-requisites for entering into Potential Related Party Transactions

I. Audit Committee / Board Level Pre-requisites

HCL shall enter into any contract or arrangement with a related party subject to the following conditions, namely:

1. The agenda of the Board/ Audit Committee meeting, as the case may be, at which the resolution is proposed to be moved shall disclose:
 - 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.
2. 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 the subject matter of the resolution relating to such contract or arrangement.

II. Shareholders' Level Pre-requisites

For approval of the shareholders, a notice calling the general meeting will be sent along with the explanatory statement to the shareholders. The explanatory statement to be annexed to the notice of a general meeting convened for approval of the RPTs shall contain the following particulars, namely:-

- 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 arrangement;
- v) any other information relevant or important for the members to take a decision on the proposed resolution.

6. Disclosure Requirements

6.1 Disclosure in Corporate Governance Report:

Details of all Material Transactions with Related Parties shall be disclosed quarterly along with the compliance report on Corporate Governance to be submitted to the Stock Exchanges where the securities of HCL are listed.

6.2 Disclosure on Website of HCL:

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:

Every contract or arrangement entered into with Related Parties requiring Board's and Company's approval under Section 188 of the Act and Clause 49 of the Listing Agreement, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

6.4 Disclosure in Register of Contracts:

The particulars of all the Related Party Transaction entered into with the approval of the Audit Committee / Board of Directors / Shareholders shall be entered into the Register of Contract or Arrangements in which Directors are interested, maintained by the Company and all the compliance related thereto shall be done by the Company Secretary as per the provisions of the Act and Listing Agreement.

7. Amendments

Any amendment in the provisions of the Act and/or Clause 49 relating to Related Party Transactions will be incorporated in the Policy with the approval of CMD, HCL and shall be informed to the Board.