

HINDUSTAN CONSTRUCTION COMPANY LTD

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS

Approved on : 29th January, 2015
1st Amendment on : [9th May, 2019]
2nd Amendment on : [12th May, 2022]

1. PREAMBLE

The Board of Directors (the “**Board**”) of Hindustan Construction Company Limited (the “**Company**” or “**HCC**”), has adopted the policy and procedures with regard to Related Party Transactions to determine the materiality of transactions with Related Parties of the Company and to regulate the mode of dealing in such transactions. The Policy aims to ensure proper approval, disclosure and reporting requirements of transactions between the Company and its Related Parties.

In accordance with Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (‘**SEBI Listing Regulations**’), the Company has formulated this revised Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions including clear threshold limits and definition of ‘material modification’ duly approved by the Board of Directors.

The Company is committed to transparency and fairness in dealing with all Related Parties and in ensuring adherence to all applicable laws and regulations, as may be amended from time to time.

2. DEFINITIONS

- a. “**Act**” means the Companies Act, 2013 including the rules, schedules, clarifications and guidelines issued by the Ministry of Corporate Affairs from time to time including any amendment, statutory modification or re-enactment thereto.
- b. “**Arms’ 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.
- c. “**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 of the company having such influence and includes a joint venture company.
- d. “**Audit Committee**” shall mean the Audit Committee of the Board of Directors constituted in accordance with the provisions of the Act and SEBI Listing Regulation.
- e. “**Board**” refers to Board of Directors of Hindustan Construction Company Ltd.
- f. “**Company**” or “**HCC**” refers to Hindustan Construction Company Ltd.
- g. “**Control**” shall have the same meaning as defined in the Act and SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as may be amended from time to time.
- h. “**Key Managerial Personnel**” means Key Managerial Personnel in relation to a Company as defined sub-section 51 of Section 2 of the Companies Act, 2013.
- i. “**Material Related Party Transaction**” means a transaction with a related party where any transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial

statements of the Company. In case of payment to a Related Party for brand usage or royalty the materiality threshold will be 5% (five percent)] of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

- j. **“Material Modification”** in relation to related party transaction shall mean a modification in the terms and conditions thereof having pecuniary effect of more than 20% of the value of such transaction.
- k. **“Related Party”** “Related Party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or 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 twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023;

in the Company 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.

- l. **“Related Party Transaction”** means a transaction involving 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.

Provided that 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 Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended from time to time;
- (b) the following corporate actions by the Company 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;
 - iv. buy-back of securities.
- m. **“Relative”** means relative as defined under sub-section (77) of Section 2 of the Act and rules prescribed there under.

- n. **“Rules”** means Companies (Meetings of Board and its Powers) Rules, 2014 including any modifications or amendments thereof.
- o. **“Significant Influence”** means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an agreement.

Words, terms and expressions used and not defined in the SEBI Listing Regulations but defined in the Act and/or the rules made there under shall have the same meaning as respectively assigned to them in the Act.

3. POLICY FOR DEALING WITH RELATED PARTY TRANSACTIONS

A. Identification of Potential Related Party Transactions

Before the start of each financial year, the Company shall draw up a list of ‘Related Parties’ in accordance with the definition given in SEBI Listing Regulations. Any changes in the list during the financial year shall be made as and when the Company receives information in this regard from the Directors and Key Managerial Personnel. For this purpose, the Company shall devise an appropriate procedural mechanism.

The Company will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance within this policy.

B. Approvals required for Related Party Transactions

- i) All related party transactions and subsequent material modifications shall require prior approval of the Audit Committee of the Company.

Provided that only those members of the Audit Committee, who are independent directors, shall approve related party transactions.

A related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the Company;

Further, with effect from April 1, 2023, a related party transaction to which the subsidiary of the Company is a party, but the Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;

Prior approval of the Audit Committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party, but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of the regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (d) above, the prior approval of the Audit Committee of the listed subsidiary shall suffice.

- ii) Audit committee can grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions-
1. the Audit Committee shall lay down the criteria for granting the omnibus approval and such approval shall be applicable in respect of transactions which are repetitive in nature.
 2. the Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company.
 3. the omnibus approval shall specify-
 - i. the name(s) of the Related Party, nature of transaction, period of transaction, maximum amount of transactions that shall 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 Related Party Transaction cannot 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.
 4. the Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approvals given.
 5. Omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
 6. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- iii) All material related party transactions *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 the shareholders of the Company shall not be required for a related party transaction to which the listed subsidiary, if any, is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary, if any, as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

Provided further that the above requirements 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.

- iv) The provisions of sub-regulations (2), (3) and (4) of Regulation 23 of SEBI Listing Regulation shall not be applicable if, transactions entered into between the Company and its wholly owned subsidiary or 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.
- v) All entities falling under the definition of Related Parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.
- vi) Board's approval shall be required for those Related Party Transactions which fall within the provisions of Section 188 of the Companies Act, 2013 as stated below-
 - 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.
 - g) remuneration towards underwriting the subscription of any securities or derivatives thereof
 - vii) Prior approval of the Company by way of Ordinary Resolution shall be necessary, if, it crosses the limits mentioned herein below for the above referred transactions-
 - a. sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover of the Company or Rupees One Thousand Crore, whichever is lower as referred in Clause (vi)(a) and clause (vi)(e).
 - b. selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the Company or Rupees One Hundred Crore, whichever is lower as referred in Clause (vi)(b) and clause (vi)(e).
 - c. leasing of property of any kind amounting to ten per cent or more of turnover of the company is lower as referred in Clause (vi)(c).
 - d. availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company or Rupees Five Hundred Crore, whichever is lower as referred in Clause (vi)(d) and clause (vi)(e).

- e. for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding Rs. Two and a Half Lakh as referred in Clause (vi)(f).
- f. for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth as referred in Clause (vi)(g)

Explanation –

- a) It is hereby clarified that the limits specified as above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.
- b) The turnover or net worth referred in the above shall be computed based on the audited financial statement of the preceding financial year.
- viii) Details as per SEBI circular No. SEBI/HO/CFD/CMD1/CIR/P/2021/662 dated 22nd November 2021 shall be placed before the Audit Committee while taking such approval.
- ix) 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.

If the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth in this policy shall apply to the Board's review/approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

- x) Any member of the Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.
- xi) Related Party Transaction not approved under this Related Party Transaction Policy**

In the event any Transaction has been undertaken or is being undertaken with a Related Party without obtaining requisite approval under this Related Party Transaction Policy, such transactions should be immediately reported to the Company Secretary. Such Transactions shall be reviewed by the Audit Committee in the next meeting. The Audit Committee shall be provided with all the relevant facts and circumstances for entering such transaction with a Related Party. Based on the information provided, the Audit Committee shall evaluate and take such necessary steps, as it may deem fit, including Ratification, termination, or revision of any terms of the Related Party Transaction. The Audit Committee shall keep the Board apprised of any instances of such transactions entered with any Related Party in contravention of this policy and recommend to Board for its approval.

xii) Disclosures

The Company is required to –

- i) disclose the details of all material transactions with related parties on a quarterly basis along with the compliance report on Corporate Governance.
- ii) disclose the particulars of contracts or arrangements with related parties referred to in Section 188(1) in the prescribed form in the Board's Report.
- iii) to disseminate the policy on dealing with Related Party Transactions on its website and also in the Annual Report (by way of a web link).
- iv) disclose Related Party Transaction on consolidated basis, within 30 days from date of publication of its standalone and consolidated financial results for half year, in the format specified in the relevant accounting standards for the annual results to the stock exchanges and publish the same on Company's website.

4. AMENDMENTS TO THIS POLICY

The Management of the Company may carry out changes to this policy from time to time so as to bring them in line with the amendments as may happen under SEBI Listing Regulations and/or the Companies Act, 2013.

Further the adequacy of this Policy shall be reviewed and reassessed by the Audit Committee periodically and appropriate recommendations shall be made to the Board to update the Policy based on the changes necessitated, if any, including due to any regulatory amendments or otherwise.

5. COMPLIANCE RESPONSIBILITY

Compliance of this Policy shall be the responsibility of the Chief Financial Officer who shall have the power to ask for information or clarifications from the management in this regard.