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**HTL LIMITED**

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**POLICY ON RELATED PARTY TRANSACTIONS**

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## **POLICY ON RELATED PARTY TRANSACTIONS**

### **1. PREAMBLE**

The Board of Directors (the “Board”) of HTL Limited (the “Company”) has approved and adopted this Policy upon the recommendation of the Audit Committee on 14<sup>th</sup> October, 2022, as the Company is a Subsidiary of Listed Holding Company in accordance with the stipulations made by SEBI and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions (“Policy”) in compliance with the requirements of Section 188 of the Companies Act, 2013.

Amendments, from time to time, to the Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee.

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

### **2. OBJECTIVE**

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

### **3. DEFINITIONS**

“**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.

“**Audit Committee or Committee**” means committee of the Board constituted from time to time under the provisions of Section 177 of the Companies Act, 2013.

“**Board**” means board of directors as defined under the Companies Act, 2013.

“**Key Managerial Personnel**” means key managerial personnel as defined under the Companies Act, 2013.

“**Related Party**” means a related party as defined under Section 2(76) of the Companies Act, 2013 as amended from time to time.

“**Related Party Transaction**” means any transaction as defined in Section 188(1) of the Companies Act, 2013 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 during a financial year.

Further, in terms of Section 188(1) of the Companies Act, 2013, the following Transaction(s) between the Company and any Related Party, shall be Related Party Transactions:-

- a. Sale, purchase or supply of any goods or materials directly or through appointment of agent;
- b. Selling or otherwise disposing of, or buying property of any kind directly or through appointment of agent;

- c. Leasing of property of any kind;
- d. Availing or rendering of any services directly or through appointment of agent;
- e. Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company;
- f. Underwriting the subscription of any securities or derivatives thereof, of the Company.

(The above is an indicative list and not an exhaustive one).

Provided that the following shall not be a related party transaction:

- (a) the issue of specified securities on a preferential basis;
- (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; and
  - iv. buy-back of securities.

**“Relative”** means a relative as defined under Section 2(77) of the Companies Act, 2013 and includes anyone who is related in any of the following manner –

- a. Members of a Hindu undivided family;
- b. Husband or wife;
- c. Father (including step-father);
- d. Mother (including step-mother);
- e. Son (including step-son);
- f. Son's wife;
- g. Daughter;
- h. Daughter's husband;
- i. Brother (including step-brother); or
- j. Sister (including step-sister).

**“Transaction”** with a related party shall be construed to include a single transaction or a group of transactions.

The terms **Director, Chief Financial Officer, Company Secretary**, shall have the same meaning as assigned under the Companies Act, 2013, as amended from time to time.

#### **4. POLICY**

All related party transactions and subsequent modifications shall require prior approval of the Audit Committee of the Company:

The Audit Committee shall review and approve all Related Party Transactions based on this Policy.

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre -approval / omnibus approval, details whereof are given in a separate section of this Policy.

In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Committee may ratify the transactions in accordance with this Policy.

#### **4.1 IDENTIFICATION OF RELATED PARTY TRANSACTIONS**

Every Director and Key Managerial Personnel will be responsible for providing a declaration in the format as per Annexure 1 containing the following information to the Company Secretary on an annual basis:

1. Names of his / her Relatives;
2. Partnership firms in which he / she or his / her Relative is a partner;
3. Private Companies in which he / she is a member or Director;
4. Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions; and
6. Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Every Director and the Key Managerial Personnel will also be responsible to update the Company Secretary of any changes in the above relationships, directorships, holdings, interests and / or controls immediately on him / her becoming aware of such changes.

The Company Secretary shall be responsible to maintain an updated database of information pertaining to Related Parties reflecting details of –

1. All Directors and Key Managerial Personnel;
2. All individuals, partnership firms, companies and other persons as declared and updated by Directors and Key Managerial Personnel;
3. Company's holding company, subsidiary companies and associate companies;
4. Subsidiaries of holding company;
5. Director or Key Managerial Personnel of the holding company or their Relatives; and
6. Any other entity which is a Related Party as defined under Section 2(76) of the Companies Act, 2013 or the relevant Accounting Standard.

The database shall be updated whenever necessary and shall be reviewed at least once a year jointly by the Company Secretary and the Chief Financial Officer. The updated database shall be provided by the Company Secretary to Corporate Accounts and Finance Department who shall further share the same with the concerned business divisions/heads.

Every Director, Key Managerial Personnel, Functional / Business heads / Chief Financial Officer will be responsible for providing prior Notice to the Company Secretary of any potential Related Party Transaction. They will also be responsible for providing additional information about the transaction that the Board / Committee may request, for being placed before the Committee and the Board.

The suggested details and list of records and supporting documents which are required to be provided along with the Notice of the proposed transaction are provided in Annexure 2 and 3 to this Policy.

The Company Secretary in consultation with the Chief Financial Officer may refer any potential related party transaction to any external legal/transfer pricing expert and the outcome or opinion of such exercise shall be brought to the notice of the Audit Committee. Based on this Notice, the Company Secretary will take it up for necessary approvals under this Policy.

#### **4.2 REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION**

All Related Party Transactions shall be subject to the prior approval of the Audit Committee at a meeting or by a Resolution passed by Circulation. However, according sanction for Related Party

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Transactions which are not in the ordinary course of business or which are not on arm's length basis, shall be given at the meeting only A member of the Committee, who has a potential interest in any Related Party Transaction, will not remain present at the meeting or abstain from discussion and voting on such Related Party Transaction and shall not be counted in determining the presence of a quorum when such Transaction is considered.

#### **4.2.1 CONSIDERATION BY THE COMMITTEE IN APPROVING THE PROPOSED TRANSACTIONS**

While considering any transaction, the Committee shall take into account all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

Prior to the approval, the Committee shall, *inter-alia*, consider the following factors to the extent relevant to the transaction:

- a. Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis;
- b. The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- c. Whether the Related Party Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction; and
- d. Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director's interest, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee deems relevant.

While considering the arm's length nature of the transaction, the Committee shall take into account the facts and circumstances as were applicable at the time of entering into the transaction with the Unrelated Party.

The Committee shall take into consideration that subsequent events (i.e., events after the initial transactions have commenced) like evolving business strategies/ short term commercial decisions to improve/ sustain market share, changing market dynamics, local competitive scenario, economic/ regulatory conditions affecting the global/ domestic industry, may impact profitability but may not have a bearing on the otherwise arm's length nature of the transaction.

#### **4.2.2 APPROVAL BY THE BOARD**

If the 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 Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

#### **4.2.3 STANDING PRE-APPROVAL / OMNIBUS APPROVAL BY THE COMMITTEE**

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre-approval / omnibus approval. While granting the approval the Audit Committee shall satisfy itself of the need for the omnibus

approval and that same is in the interest of the Company.

The omnibus approval shall specify the following:

- a. Name of the related party;
- b. Nature of the transaction;
- c. Period of the transaction;
- d. Maximum amount of the transactions that can be entered into;
- e. Indicative base price / current contracted price and formula for variation in price, if any;
- f. Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied / amended.

Any proposed variations/amendments to these factors shall require a prior approval of the Committee.

Further, where the need of the related party transaction cannot be foreseen and all prescribed details are not available, the Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only). The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification. Further, the Committee shall on an annual basis review and assess such transactions including the limits to ensure that they are in compliance with this Policy.

Pursuant to Section 188 read with rule 6A of the Companies (Meeting of Board and its Power) Rules, 2014, Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.

#### **4.2.4 TRANSACTIONS NOT IN ORDINARY COURSE OF BUSINESS OR NOT AT ARM'S LENGTH**

All Related Party Transactions in excess of the limits prescribed under the Companies Act, 2013, which are not in the Ordinary Course of Business or not at Arms' Length shall also require the prior approval of the shareholders through ordinary resolution and the Related Parties shall not vote to approve such resolution, whether the entity is a related party to the particular transaction or not.

#### **4.2.5 RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED**

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable, not later than three months, before the Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Committee deems appropriate under the circumstances.

**THRESHOLD LIMITS OF TRANSACTIONS WITH RELATED PARTIES:**

<b>Transaction Type</b>	<b>Approving Authority</b>	<b>Transactions</b>	<b>Threshold</b>
RPTs in the ordinary course of business and at arm's length and subsequent material modifications thereof.	Audit Committee	All types of Transactions	Not applicable
RPT's <b>not in</b> ordinary course of business or; <b>not at</b> arm's length and subsequent material modifications thereof	Audit Committee and the Board  If the RPT's exceed the Threshold Limits, in addition to above, approval of Shareholders by an ordinary resolution	<ul style="list-style-type: none"> <li>a. Sale, purchase or supply of any goods or material, directly or through appointment of agent;</li> <li>b. Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent;</li> <li>c. Leasing of property of any kind;</li> <li>d. Availing or rendering of any services, directly or through appointment of agent;</li> <li>e. Appointment to any office or place of profit in the Company, its subsidiary company or associate company;</li> <li>f. Remuneration for Underwriting the subscription of any securities or derivatives, thereof</li> </ul>	<ul style="list-style-type: none"> <li>a. Amounting to ten percent (10%) or more of the turnover of the Company;</li> <li>b. Amounting to ten percent (10%) or more of the networth of the Company;</li> <li>c. Amounting to ten percent (10%) or more of the turnover of the Company;</li> <li>d. Amounting to ten percent (10%) or more of the turnover of the Company;</li> <li>e. Monthly remuneration exceeding two and a half lakh rupees (Rs.2,50,000/- p.m.);</li> <li>f. Exceeding one percent (1%) of the networth of the Company.</li> </ul>

Transaction Type	Approving Authority	Transactions	Threshold
Material RPTs and subsequent material modifications thereof	Audit Committee, Board of Directors and Shareholders	a. All types of Transactions excluding brand usage and royalty	Individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten (10%) percent of the annual consolidated turnover of the Company as per the last audited financial statements, whichever is lower.
		b. Brand usage and Royalty payments transactions	Individually or taken together with previous transactions during a financial year, exceed five (5%) percent of the annual consolidated turnover of the Company as per the last audited financial statement.
<p><i>Explanation: The turnover or net worth referred above shall be computed on the basis of the audited financial statement of the preceding financial year.</i></p>			

### 4.3 DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS

- 4.3.1 Details of all Material Related Party Transactions shall be disclosed quarterly;
- 4.3.2 The Company shall disclose the policy on dealing with Related Party Transaction on its website and a web-link shall be provided in the Annual Report(s);
- 4.3.3 Disclosures of transactions of the Company with any person or entity belonging to the promoter/promoter group which hold(s) ten (10%) percent or more Shareholding in the Company, in the format prescribed in the relevant accounting standards for annual results.

The Company Secretary and Chief Financial Officer shall be, responsible for such disclosure.

The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.

### 5. SCOPE LIMITATION

In the event of any conflict between the provisions of this Policy Companies Act, 2013 or any other statutory enactments, rules, the provisions of the Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.



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## 6. DISSEMINATION OF POLICY

Either this Policy or the important provisions of this Policy shall be disseminated to all the functional and operational employees and other concerned persons of the Company and shall be hosted on the intra net and at the website of the Company and web-link thereto shall be provided in the annual report(s) of the Company.

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## ANNEXURE -1

**INFORMATION REQUIRED UNDER SECTION 2(76) OF THE COMPANIES ACT, 2013**

Particulars	Details		
1. Names of Relatives: Wife/ Husband Father (including step-father) Mother (including step-mother) Son (including step son) Son's wife Daughter Daughter's husband Brother (including step-brothers) Sister (including step-sister) Members of HUF in which Director is a member			
2. Names of firms in which Director is a Partner			
3. Names of firms in which Director's Relatives (as defined above) is a Partner			
4. Names of Private Companies in which Director is a Director			
5. Names of Private Companies in which Director is a Member			
6. Names of Public Companies in which Director is a Director and holds along with his relatives more than 2% of its paid up capital	Name of Company	No. of shares held	% of shares held
7. *Anybody corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a Director			
8. *Any person on whose advice, directions or instructions, the director is accustomed to act			

\* For Point no. 7 & 8, the advice, directions or instructions given in a professional capacity shall not be considered.

Place:  
Date:

Signature:  
Name of the Director:

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## ANNEXURE -2

### **INFORMATION TO BE PROVIDED TO THE AUDIT COMMITTEE / THE BOARD OF DIRECTORS IN RELATION TO THE PROPOSED RELATED PARTY TRANSACTION (TO THE EXTENT RELEVANT TO THE TRANSACTION)**

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- 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 or Listed Holding Company, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction (particular tenure shall be specified);
- d. Value of the proposed transaction;
- e. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company:
  - 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.
- f. A copy of the valuation or other external party report, if any such report has been relied upon;
- g. Any other information that may be relevant

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## ANNEXURE -3

### **INFORMATION TO BE PROVIDED TO THE SHAREHOLDERS IN RELATION TO THE PROPOSED RELATED PARTY TRANSACTION (TO THE EXTENT RELEVANT TO THE TRANSACTION)**

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The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:

- a. A summary of the information provided by the management of the Company to the Audit Committee as specified in point 4 above;
- b. Justification for why the proposed transaction is in the interest of the Company;
- c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details specified under point (e) of Annexure 2; (The requirement of disclosing source of funds and cost of funds shall not be applicable to listed banks/NBFCs.)
- d. 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;
- e. Any other information that may be relevant.