

## **HPL ELECTRIC & POWER LIMITED**

### **Policy on Related Party Transactions**

#### **1. Introduction**

The Board of Directors (the “Board”) of HPL Electric & Power Limited (the “Company” or “HPL”), recognizes that certain relationships can present potential or actual conflicts to interest and may raise questions about whether transactions associated with such relationships are consistent with Company’s and its stakeholders’ best interest. The Company must specifically ensure that certain transactions are effected and disclosed in accordance with strict legal and accounting standard to which it is subject.

#### **2. Purpose**

The provisions of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 required formulation of a Policy on materiality of Related Party Transactions and on dealing with Related Party Transactions. The policy is intended to ensure proper approval and reporting of related party transactions. However SEBI Listing Regulations were further amended by SEBI suggesting further changes to the Related Party Governance regime. .

#### **3. Definitions**

“**Act**” shall mean the Companies Act, 2013 and the rules framed there under, including any modifications, amendments, clarifications circulars or re-enactment thereof.

“**Arms Length basis**” means a transaction between two related parties that is conducted as if they were unrelated, so there is no conflict of interest.

“**Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted under provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015) and Companies Act, 2013.

“**Board**” means Board of Directors of the Company.

“**Control**” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

“**Key Managerial Personnel**” means key managerial personnel as defined in sub-section (51) of section 2 of the Companies Act, 2013;

“**Policy**” means Related Party Transaction Policy.

“**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 any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.

**“Relative”** means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed there under:

**“Related Party Transaction”** means a transfer of resources, services or obligations between a listed entity and a related party, 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 including but not limited to the following:

- 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
- a) underwriting the subscription of any securities or derivatives thereof, of the company.

The term shall have the meaning ascribed to it under the SEBI Listing Regulations as may be amended from time to time or relevant provisions of the Act.

**“Material Related Party Transaction”** means a transaction with a related party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the Company.

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 five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

#### **4. Approval of Related Party Transactions**

- A. As per the Companies Act, 2013, the related party transactions entered into by the company which is in its ordinary course of business and which is on an arm's length basis does not require any approval from the Audit Committee, Board of directors or the shareholders.
- B. As per the Regulation 23 of SEBI Listing Regulations, all related party transactions shall require prior approval of the Audit Committee.
- C. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company, subject to the following conditions:

- (a) the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;
- (b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;
- (c) 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.

- (d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.
- (e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year:

D. The following types of related party transactions shall require approval of the shareholders through resolution:

- a) All material related party transactions
- b) All such Related Party Transactions which are not in the ordinary course of business and which exceed the threshold limits as given under Companies Act, 2013

No related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

## 5. Disclosures

Every director of a company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into—

- a) with a body corporate in which such director or such director in association with any other director, holds more than two per cent shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or
- b) with a firm or other entity in which, such director is a partner, owner or member, as the case may be,

shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting:

Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or

interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

The Company is required to disclose Related Party Transactions in the Company's Annual Report as per the requirements of SEBI Listing Regulations 2015. Details of all Material Related Party Transactions shall be disclosed quarterly along with Company's Compliance Report on Corporate Governance, in accordance with the SEBI Listing Regulations.

This Policy shall be disclosed on Company's website and a web link there to shall be provided in the Annual Report of the Company.

## **6. Amendment**

Any Amendment on the subject of this Policy, shall automatically have the effect of amending this Policy without the need of any further approval of the Board of Directors.

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