

Hindustan Adhesives Limited
Policy on
Related Party Transactions

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POLICY ON RELATED PARTY TRANSACTIONS

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POLICY ON RELATED PARTY TRANSACTIONS

I. Background and Definitions

This Policy on Related Party Transactions (“**Policy**”) has been adopted by the Board of Directors of Hindustan Adhesives Limited (“**HAL**” or the “**Company**”), on the recommendation of the Audit Committee, as per Regulation 23(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time (“**Listing Regulations**”). The objective of this Policy is to regulate transactions between the Company/Company’s Subsidiaries and their Related Parties, based on the laws and regulations applicable to the Company, including the Companies Act, 2013 and the Listing Regulations. This Policy lays down the framework for appropriate approval(s) and reporting of Related Party Transactions entered into by the Company and/or its Subsidiaries.

For the purposes of this Policy, unless the context otherwise requires, the following words, expressions and derivations therefrom shall have the meanings assigned to them as under:-

- (1) ‘**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.
- (2) ‘**Audit Committee**’ means Audit Committee constituted by the Board of Directors of the Company under the provisions of the Listing Regulations and the Companies Act, 2013, from time to time.
- (3) ‘**Board of Directors**’ or ‘**Board**’ means the Board of Directors of the Company, as constituted from time to time.
- (4) ‘**Independent Director**’ means an independent director referred to in Section 149(6) of the Companies Act, 2013 read with the rules issued thereunder, and Regulation 16 of the Listing Regulations.
- (5) ‘**Key Managerial Personnel**’ means key managerial personnel as defined in sub-section (51) of Section 2 of the Companies Act, 2013.
- (6) ‘**Material Modification**’ means any modification to the terms of a Related Party Transaction or a Material Related Party Transaction which was approved by the Audit Committee and/or the shareholders, which will significantly alter the information provided to the Audit Committee and/or shareholders or change the fundamental nature or basis of the Related Party Transaction or the Material Related Party Transaction and in case of thresholds in relation to overall transaction value, which as a consequence results in any variance of 10% or more over the limits/amounts approved by the Audit Committee and/or the shareholders.
- (7) ‘**Material Related Party Transaction**’ or ‘**Material RPT**’ means a transaction with a Related Party, to be entered into individually or taken together with previous transactions during a financial year, which exceeds rupees one thousand crores or ten per cent 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 as a Material Related Party Transaction 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 Company, as per the last audited financial statements of the

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Company.

- (8) **‘Ordinary Course of Business’** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per its Memorandum of Association and Articles of Association and all such transactions which are considered in the ordinary course of business as per the judicial precedents in India from time to time.
- (9) **‘Promoter’** and **‘Promoter Group’** shall have the same meaning as assigned to them respectively in clauses (oo) and (pp) of sub-regulation (1) of Regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
- (10) **‘Related Party Transaction’** or **‘RPT’** shall mean 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,

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.

Any transaction between the Company and its Related Parties, which is covered under the transactions specified under Section 188(1) of the Companies Act, 2013, shall also considered to be a Related Party Transaction for the purposes of this Policy.

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;
- (b) the following corporate actions 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 Securities and Exchange Board of India:
- (d) acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time:

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Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon.

- (e) retail purchases from the Company or its Subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s).

- (11) **‘Related Party’** shall mean 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 of ten per cent or more, 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.

- (12) **‘Subsidiary’** shall mean a subsidiary as defined under sub-section (87) of Section 2 of the Companies Act, 2013.

Any other capitalized terms used but not defined herein shall have the meaning assigned to them under the Listing Regulations, the Companies Act, 2013, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and/or the rules and regulations made thereunder.

II. Review and Approval of Related Party Transactions

(a) Approval by the Audit Committee:

- (1) All Related Party Transactions shall require prior approval of the Audit Committee. All subsequent amendments or modifications to Related Party Transactions shall require prior approval of the Audit Committee in terms of the Companies Act, 2013. Further, all subsequent Material Modifications to Related Party Transactions shall also require prior approval of the Audit Committee in terms of the Listing Regulations.
- (2) Related Party Transactions shall only be approved by those members of the Audit Committee who are the Independent Directors.
- (3) 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 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.
- (4) Prior approval of the Audit Committee shall not be required for a Related Party

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Transaction to which the listed Subsidiary is a party but the Company is not a party, if Regulation 23 and sub-regulation (2) of Regulation 15 of Listing Regulations are applicable to such listed Subsidiary.

Explanation - For Related Party Transactions of unlisted Subsidiaries of a listed Subsidiary as referred above, the prior approval of the audit committee of the listed Subsidiary shall suffice.

- (5) Remuneration and sitting fees paid by the Company or its Subsidiary to its director, Key Managerial Personnel or senior management, except who is part of Promoter or Promoter Group, shall not require approval of the Audit Committee provided that the same is not a Material Related Party Transaction.
- (6) Members of the Audit Committee, who are Independent Directors, may ratify Related Party Transactions within three months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, subject to the following conditions:
 - (i) the value of the ratified transaction(s) with a Related Party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
 - (ii) the transaction is not a Material Related Party Transaction;
 - (iii) rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee at the time of seeking ratification;
 - (iv) the details of ratification shall be disclosed along with the disclosures of Related Party Transactions in terms of the provisions of Regulation 23(9) of the Listing Regulations;
 - (v) any other condition as specified by the Audit Committee.

Provided that failure to seek ratification of the Audit Committee shall render the transaction voidable at the option of the Audit Committee and if the transaction is with a Related Party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it.

- (7) Prior approval of the Audit Committee is not required in the following cases – (i) RPTs entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval; and (ii) RPTs 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.
- (8) The Audit Committee shall review the status of long-term (more than one year) or recurring Related party Transactions on an annual basis.
- (9) To review and approve a Related Party Transaction, the Audit Committee shall be provided with the following information:
 - 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 (particular tenure shall be specified);
 - d) Value of the proposed transaction;

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- 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 Related Party Transaction 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 Related Party Transaction.
- g) Justification as to why the Related Party Transaction 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 Related Party Transaction on a voluntary basis;
- j) Any other information that may be relevant;
- k) Any other information as may be notified under the Listing Regulations from time to time.

(b) Omnibus approval by Audit Committee

- (1) Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its Subsidiary subject to the following conditions, namely:
 - (a) the Audit Committee shall lay down the criteria for granting the omnibus approval in line with this Policy 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 Company;
 - (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;

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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.

- (2) The Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company or its Subsidiary, pursuant to each of the omnibus approvals given.
- (3) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

(c) Approval of Board of the Company

- (1) Approval of the Board of Directors shall be required for entering into Related Party Transactions which are either not in the Ordinary Course of Business or not an Arm's Length Transaction.
- (2) Any member of the Board of Directors, who has a potential interest in any Related Party Transaction will recuse himself/herself and abstain from discussion and voting on the approval of the Related Party Transaction.

(d) Approval of Shareholders of the Company

- (1) Prior approval of the shareholders of the Company shall be required for entering into:
 - (i) Related Party Transactions which are either not in the Ordinary Course of Business or not an Arms' Length Transaction and which cross threshold limits prescribed under the Companies Act, 2013 read with the rules framed thereunder and the circulars/notifications, etc. issued by the Ministry of Corporate Affairs from time to time;
 - (ii) All Material Related Party Transactions and subsequent Material Modifications thereto.
- (2) Any member of the Company who is a Related Party, shall not vote on resolution passed for approving a Related Party Transaction, whether such entity is a Related Party to the particular transaction or not.
- (3) Any Related Party Transaction for which the Audit Committee has granted omnibus approval, shall continue to be placed before the shareholders of the Company if it is or becomes a Material Related Party Transaction. Shareholders' approval of omnibus RPTs approved in an annual general meeting shall be valid up to the date of the next annual general meeting for a period not exceeding fifteen months. In case of omnibus approvals for Material RPTs, obtained from shareholders in general meetings other than annual general meetings, the validity of such omnibus approvals shall not exceed one year.
- (4) Prior approval of the shareholders of the Company shall not be required in the following cases – (i) RPTs entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval; and (ii) RPTs 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.
- (5) Prior approval of the shareholders of the Company shall not be required for a Related Party Transaction to which the listed Subsidiary is a party but the Company is not a party, if Regulation 23 and sub-regulation (2) of Regulation 15 of the Listing Regulations are

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applicable to such listed Subsidiary.

Explanation - For Related Party Transactions of unlisted Subsidiaries of a listed Subsidiary as referred above, the prior approval of the shareholders of the listed Subsidiary shall suffice.

- (6) Prior approval of the shareholders of the Company shall also not be required in relation to a resolution plan approved under Section 31 of the Insolvency and Bankruptcy Code, 2016, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
- (7) The explanatory statement contained in the notice sent to shareholders seeking their approval for an RPT shall provide relevant information for enabling them to determine that the terms and conditions of the proposed RPT are not unfavourable to the Company, compared to the terms and conditions, had a similar transaction been entered into between unrelated parties. The notice, in addition to the requirements of the Companies Act, 2013, shall include but not be limited to 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 is required under this Policy;
 - 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:
 - (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 Related Party Transaction.
 - 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) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed Related Party Transaction, on a voluntary basis;
 - f) Any other information that may be relevant;
 - g) Any other information as may be notified under the Companies Act, 2013 and/or the Listing Regulations from time to time.

III. Reporting of Related Party Transactions

- (1) The reporting of Related Party Transactions shall be undertaken by the Company in the manner and within the timelines prescribed under the Listing Regulations and the circulars issued by the Securities and Exchange Board of India from time to time.
- (2) The particulars of contracts or arrangement with Related Parties referred to in Section 188(1) of the Companies Act, 2013 shall be disclosed in the Board's report under Section 134 of the

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Companies Act, 2013 along with the justification for entering into such contract or arrangement.

IV. Limitation

In the event of any conflict between the provisions of this Policy and the Listing Regulations, the provisions of the Listing Regulations shall prevail over this Policy.

V. Miscellaneous

- (1) This Policy shall be reviewed by the Board of Directors at least once every three years or such other shorter period as the Board may decide, and if required be amended accordingly. However, no such amendment or modification shall be inconsistent with the applicable provisions of any law for the time being in force.
- (2) The scope of this Policy shall include any additional scope as may be extended in terms of any amendment(s) to the provisions of the Listing Regulations or pursuant to any circulars issued by the Securities and Exchange Board of India from time to time.
- (3) Any amendments/modifications made to the Listing Regulations or any circulars issued by the Securities and Exchange Board of India in relation to review and approval of Related Party Transactions, which are mandatory in nature, would be deemed to be included and incorporated in this Policy without any further action or deed on the part of the Company, from the date of coming into effect of such amendments/modifications/circular.