

HeidelbergCement India Limited

POLICY ON RELATED PARTY TRANSACTIONS

(Revised version - effective from 01 April 2022)

1. Preamble

The Board of Directors (the “**Board**”) of HeidelbergCement India Limited (the “**Company**” or “**HCIL**”), adopts the following Policy with regard to Related Party Transactions (RPT) as defined below, in compliance with the requirements of Section 188 of the Companies Act 2013 (the “**Act**”) and Rules made thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “**Listing Regulations**”) (as amended from time to time) in order to ensure the transparency and procedural fairness of such transactions. The Policy lays down the key principles that will govern RPT and spells out the procedures that will be followed when RPT are to be entered into. The Policy shall be read with the Framework for RPT which has been adopted as a separate document. The Board will update the policy in the light of any subsequent modifications, amendments or re-enactment to the Act and/or to the Listing Regulations.

2. Purpose

This policy is intended to ensure high standards of corporate governance at HCIL by overcoming the potential conflict of interest that RPT are likely to create. It provides the assurance that the RPT are being regulated by the Board in the best interests of HCIL and all its stakeholders by laying down the procedure for the proper review, approval and reporting of transactions, between the Company and any of its related parties.

Provisions of this policy are designed to govern the transparency of the approval processes and disclosure requirements to ensure fairness in Related Party Transactions, in compliance with the applicable laws.

3. Definitions

“**Arm’s Length Basis**” 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**” means the Committee of the Board of Directors of HCIL constituted under Section 177 of the Companies Act, 2013 and the Listing Regulations.

“**Board**” means Board of Directors of HCIL.

“Framework” means the document by that name adopted by the Board that forms an integral part of this Policy and provides the basis for determining Arm’s Length Price (ALP) for all transactions which are proposed to be entered into with the Related Parties as defined under the RPT policy of the Company.

“Key Managerial Personnel” has the same meaning as under Section 203 of the Companies Act, 2013.

“Material Modification” means any subsequent change to an existing Related Party Transaction, already approved by the Audit Committee/Board of Directors or the Shareholders of the Company or any alteration to the terms and conditions governing the said transaction.

“Material Related Party Transaction” means a transaction with a Related Party which, either individually or taken together with the previous transactions during that financial year, equals to or exceeds the threshold limit(s) prescribed under Annexure III of this Policy.

“Related Party”: An entity shall be considered as related to HCIL if:

- (i) such entity is a related party under Section 2(76)¹ of the Companies Act, 2013; or
- (ii) such entity is a related party under the applicable accounting standard².

“Related Party Transaction” means transactions/contracts/arrangements between HCIL and its Related Parties in accordance with the Companies Act, 2013 and the Listing Regulations.

“Relative” means relative as defined under the Companies Act, 2013.

4. Procedure

All Related Party Transactions must be reported to the Audit Committee and referred for the prior approval of the Audit Committee and also of the Board and shareholders, where applicable, in accordance with this policy.

4.1 Identification of Potential Related Party Transactions

Each Director and Key Managerial Personnel is responsible for providing advance notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her dependent Relatives, including any additional information about the transaction that the Board/Audit Committee may request. The Board/Audit Committee will determine whether the transaction constitutes a Related Party Transaction requiring compliance with this policy.

4.2 Approval of Related Party Transactions

All Related Party Transactions and any Material Modification thereof, shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company provided the conditions as mentioned in Clause 4.4 of this policy are satisfied.¹

All Related Party Transactions which are neither in the ordinary course of business nor at arm's length price require prior Board approval. Additionally, shareholder approval shall be required if the proposed transaction is a Material Related Party Transaction or any subsequent Material Modification thereof. No shareholder of the Company if such a shareholder is a Related Party shall vote on any such special resolution.

4.3 Procedure to be followed for approval of Related Party Transactions

To review and approve a Related Party Transaction, the Audit Committee will be provided with all relevant material information of the Related Party Transaction, including the following:

- Name of related party and details explaining nature of relationship;
- Nature of transaction and material terms thereof including the value, if any;
- Business rationale for the Company to enter into the Related Party Transaction – the need and benefit test;
- Terms of the Related Party Transaction along with comparison with third party comparable quotes to determine whether the transaction is on an Arm's Length Basis;

Any member of the Committee who has a potential interest in any Related Party Transaction shall recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

If the Audit Committee determines that a Related Party Transaction should be placed before the Board for review / approval, or if the Board in any case elects to review any such matter or it is mandatory under any law for the Board to approve the Related Party Transaction, the considerations set forth above shall apply to the Board's review and approval of the matter.

¹ Text of Section 2(76) of the Companies Act, 2013 is enclosed as Annexure I.

² Relevant text of Accounting Standard (AS 18) is enclosed as Annexure II.

4.4 Omnibus approval for Related Party Transactions

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:-

- (i) The transaction is repetitive in nature;
- (ii) Such approval is in the interest of the Company; and
- (iii) All the relevant material information as outlined in Clause 4.3 of this policy has been provided to the Audit Committee for evaluation and approval.

Such omnibus approval shall specify: (i) the name(s) of the related party, nature of transaction, period of transaction and 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 Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding MINR 10 per transaction.

The Audit Committee shall review, at least on a quarterly basis, the details of such Related Party Transactions entered into by the Company pursuant to each omnibus approval given.

Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

5. Determination of Arm's Length Price

The arm's length principle and the transfer pricing methodologies prescribed under the Indian Income Tax Act, 1961 as well as associated domestic and international guidance shall be referred to determine arm's length price relating to all Related Party Transactions.

While considering the arm's length nature of the transaction(s), the Audit Committee / Board of Directors shall refer to the "Framework on Related Party Transactions (RPT)" as framed under this Policy to assess and determine Arm's Length Price (ALP) for the transactions.

6. Disclosures

HCIL will make adequate disclosures with respect to the Related Party Transactions as under:

- (i) All Material Related Party Transactions or any subsequent Material Modification thereof will be disclosed to Stock Exchanges on a quarterly basis along with the compliance report on corporate governance consistent with the Listing Regulations.
- (ii) HCIL will disclose this policy on its website and a web link thereto shall be provided in the Annual Report.
- (iii) Particulars of contracts or arrangements entered into with Related Parties along with the relevant justifications shall also be disclosed in the Directors' Report in accordance with the Companies Act, 2013.

7. Registers

The Company shall maintain a register giving the particulars of all contracts or arrangements to which this policy applies and such register shall be placed/taken note of before the meeting of the Board of Directors and signed by all the Directors present at the meeting.

8. Amendments

This policy may be amended by the Board of Directors at any point of time.

9. Annual Review

The Audit Committee and Board of Directors will review this Policy and the Framework annually after the close of the financial year and update or revise them as may be required.

Section 2 (76): “related party”, with reference to a company, means—

- (i) a director or his/her relative;
- (ii) a key managerial personnel or his/her relative;
- (iii) a firm, in which a director, manager or his/her relative is a partner;
- (iv) a private company in which a director or manager is a member or director;
- (v) a public company in which a director or manager is a director and holds along with his/her 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;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the 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) such other person as may be prescribed;

Annexure II

Accounting Standard (AS) 18 defines a “related party” as under:

1. Related party - 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.
2. Control – (a) ownership, directly or indirectly, of more than one-half of the voting power of an enterprise, or

(b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or

(c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.
3. Significant influence - participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.

Threshold limits for determining materiality of Transactions

S. No.	Category of RPT	Threshold limit (refer note below)
1	Goods	
1.1	Sale of Clinker/Cement/ Semi-finished Goods	INR 1000 million or 10% of the Annual Turnover as per the last audited financial statements, whichever is less.
1.2	Purchase of Raw Materials / Semi- finished Goods, Electricity	INR 1000 million or 10% of the Annual Turnover as per the last audited financial statements, whichever is less.
1.3	Sale/Purchase of Other goods/materials	INR 1000 million or 10% of the Annual Turnover as per the last audited financial statements, whichever is less.
2.	Services	
2.1	Payments towards License fee/Technical Know-how fee/Royalty	2% of the Annual Turnover as per the last audited financial statements, subject to a maximum of INR 500 Million.
2.2	Availing SAP, IT support and any other services	INR 500 million or 10% of the Annual Turnover as per the last audited financial statements, whichever is less
2.3	Management chargeback for availing services from Group Companies	INR 500 million or 10% of the Annual Turnover as per the last audited financial statements, whichever is less.
2.4	Management chargeback for providing services to Group Companies	INR 500 million or 10% of the Annual Turnover as per the last audited financial statements, whichever is less.
3	Financial transactions	
3.1	Borrowings / Lending funds (principal amount)	INR 2000 million or 10% of the Annual Turnover as per the last audited financial statements, whichever is less.
3.2	Giving / Availing Corporate Guarantee (principal amount)	INR 2000 million or 10% of the Annual Turnover as per the last audited financial statements, whichever is less.

Note: It is hereby clarified that the limits specified above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.