

HINDUSTAN ZINC LIMITED

Related Party Transaction Policy

| | |
|---------------------------|---|
| Document Name | Related Party Transaction Policy |
| Company | Hindustan Zinc Limited |
| Version & Last Updated on | January 20, 2020 |
| | January 21, 2022 |

Preamble

The Board of Directors (“the Board”) of Hindustan Zinc Limited (the “Company or “HZL”), has adopted the following Policy and procedure in relation to Related Party Transactions. The Policy envisages the procedure governing Related Party Transactions required to be followed by the Company to ensure compliance with the Law and Regulation.

This Policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company.

The policy will be effective April 01, 2022.

Purpose

This policy is framed as per the requirements of Regulation 23 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [including any modification(s) / amendment(s) / re-enactment(s) thereof] (“Listing Regulations”) and in terms of Section 188 of the Companies Act, 2013 (the Act) and is intended to ensure proper approval, disclosure and reporting requirements of transactions between the Company and its Related Parties. The Company is required to disclose each year in the Financial Statements and in the Annual Report transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

The Audit Committee and the Board will review the Policy at least once every three years and may update the Policy accordingly.

All capitalized terms used in this Policy but not defined herein shall have the meaning assigned to such term in the Companies Act, 2013 and the Rules thereunder and the Listing Regulations, as amended from time to time.

Definitions

Related Party will have the same meaning as defined under Section 2(76) of the Act and under the applicable accounting standards.

Provided that with effect from April 01, 2022:-

- a) any person or entity forming a part of the promoter or promoter group of the listed entity; 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 listed entity 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:”

Relative in relation to a Related Party shall have the same meaning as defined under Section 2(77) of the Act.

Related Party Transaction shall have the meaning as defined under Regulation 2(1)(zc) of the SEBI Listing Regulations and as envisaged in Section 188(1) of the Act.

Related Party Transaction under Regulation 2(1)(zc) of SEBI Regulations means a transaction involving a transfer of resources, services or obligations between:

- I. a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; with effect from April 01, 2022 or
- II. a listed entity 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 listed entity 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:

Additionally, where a subsidiary of the Company enters into related party transaction with the holding company (including the subsidiaries of the holding company but excluding the Company and its subsidiaries), such transactions would also require approval/ concurrence of the Audit & Risk Management Committee and Board of Hindustan Zinc Limited, in addition to their respective Audit Committees, Boards and shareholders, as applicable, and required by the governing laws of that entity.

Exemptions

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 by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - payment of dividend;
 - subdivision or consolidation of securities;
 - issuance of securities by way of a rights issue or a bonus issue; and
 - 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 Board;
- d) 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);
- e) Any transaction involving the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business by any directors or KMPs of the Company and its subsidiaries shall not require approval under this policy;

The transactions or arrangements which are specifically dealt under the separate provisions of the laws and executed under separate approvals / procedures shall not be covered under this Policy. Example of such transactions are as follows:

- Appointment and payment of remuneration, including any variation, to Key Managerial Personnel of the Company and its subsidiaries,
- Payment of remuneration, fees, Commission etc to any director by the Company or its subsidiaries in compliance with legal provisions;
- CSR Contribution.

Arm’s length Transaction means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.

Ordinary Course of Business

The term transaction in the ordinary course of business has not been defined under the Act or the Listing Regulations. But the International Standard on Auditing (ISA) 550 listed certain examples of transactions outside the entity normal course of business. Such examples have been listed out below:-

- Complex equity transactions, such as corporate restructurings or acquisitions.
- Transactions with offshore entities in jurisdictions with weak corporate laws.
- The leasing of premises or the rendering of management services by the entity to another party if no consideration is exchanged.
- Sales transactions with unusually large discounts or returns.
- Transactions with circular arrangements, for example, sales with a commitment to repurchase.
- Transactions under contracts whose terms are changed before expiry.

Material Related Party Transactions shall have the same meaning as defined under Regulation 23 of the Listing Regulations.

Materiality Threshold

Regulation 23 of the Listing Regulations requires a company to provide materiality thresholds for transactions beyond which the shareholders approval will be required by way of a special resolution.

Transactions with related party shall be considered as “material” if the 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 or such as may be prescribed under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as may be amended from time to time.

Effective April 01, 2022, transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, 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 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.

Materiality Threshold For subsequent modifications

Material threshold for subsequent modification would be determined from time to time as per the directions, issued by Audit Committee for contracts which are already approved by the Audit Committee as a part of Related Party Transaction and due to fluctuation in Prices by more than 20% or Rs. 25 Crore in the contract value, whichever is higher, would require fresh approval of the Audit Committee.

However, any changes in contractual price on account of fluctuation in published index like LME, Exchange Rate etc. will not be considered as a material modification.

In exceptional scenario, basis business urgency, subject to CEO & CFO approval, transactions in ordinary course of business at arm's length & up to Rs 1 Cr may be executed subject to subsequent Audit committee ratification.

Identification of Related Parties

The Company Secretary shall maintain a list of Related Parties as defined in Section 2(76) of the Companies Act, 2013 read with Companies (Specification of Definitions Details) Rules, 2014 and under the applicable accounting standards

- Each Director and Key Management Personnel shall disclose in Form MBP-1, at the time of appointment, beginning of every financial year and whenever there is any change in the disclosure so made, about all the persons, entities in which he or she is interested, whether directly or indirectly.
- Each director and Key Management Personnel shall provide declaration, at the time of appointment, beginning of every financial year and whenever there is any change in the disclosure so made of:
 - its relatives
 - firms in which such Director/ Manager or his relative is a partner
 - private Companies in which a Director or Manager or his relative is a member or director
 - public companies in which a Director or manager is a Director and holds along with the relatives more than 2% of the paid-up share capital
- The Compliance Officer shall
 - Basis the declaration of directors and KMPs, identify and keep on record in the form of an updated database the information pertaining to Related Parties, along with their personal/company details;
 - At the beginning of the financial year and on any subsequent changes, identify and maintain information in the database about the related parties in association with the Holding Company, subsidiaries, joint ventures, associates, etc.
 - Identify and maintain database on persons/entities forming a part of the promoter or promoter group of the Company or any person or any entity, holding equity shares of twenty per cent or more; or of ten per cent or more (with effect from April 1, 2023) 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.
 - Update the database of Related Parties whenever necessary and review at least once a quarter

Identification of Related Party Transactions

- Each Director, Key Managerial Personnel & Senior Management will be responsible for providing notice to the Company or Audit Committee of any potential Related Party Transaction involving him or her or his or her relative;
- The compliance officer shall ensure that all Directors, Key Managerial Personnel and Senior Management make an annual declaration relating to all material, financial and commercial transactions where they have personal interest that may have a potential conflict with the interest of the HZL at large.

- The Compliance Officer would collate list of related party transactions as follows:
 - Continuing RPTs as per the disclosure made in Company's financial statements;
 - Transactions which are likely to be entered into with each related party and estimated value of such transactions before the beginning of each financial year to obtain necessary approvals in accordance with this Policy.

Procedure for approval and review of Related Party Transactions

Audit Committee

- All related party transactions and subsequent modifications shall require prior approval of the Audit Committee of the Company. The Audit Committee shall consider all relevant factors while deliberating the Related Party Transactions for its approval.
- Only those members of the Audit Committee, who are independent directors, shall approve related party transactions. Any such member of the Audit Committee 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.
- A Related Party Transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length price, would require approval of the Board or of shareholders as may be required
- With effect from April 1, 2022, 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;
- 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 Company is not a party if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.
- Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the Company subject to the following conditions, namely-
 - a) 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:
 - the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,
 - the indicative base price / current contracted price and the formula for variation in the price if any; and
 - 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 Company 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:
- Where, owing to exigencies, Related Party Transactions have been entered into without being placed for prior approval by the Audit Committee, reasoned explanation for the same must be provided to the satisfaction of the Audit Committee. The Audit Committee may ratify such transactions;
 - Quarterly information of all RPTs shall be placed by the Company for the review of Audit Committee. The management shall also submit a report to the Audit Committee providing a comparison between the approvals granted and the actual transactions

Information to be reviewed by the Audit Committee for approval of RPTs

The Company shall provide the following information, for review of the Audit Committee for approval of a proposed RPT:

- 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;
- 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 RPT 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 listed entity or its subsidiary:-
 - 1) details of the source of funds in connection with the proposed transaction;
 - 2) 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;
 - 3) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - 4) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g) Justification as to why the RPT 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 RPT on a voluntary basis;
- j) Any other information that may be relevant

The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

Board

- In case any Related Party Transactions are referred by the Audit Committee to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction.
- All Material Related Party Transactions including subsequent material modifications shall require prior approval of the Board;
- Any member of the Board or Key Managerial Personnel who has any interest in any Related Party Transaction will recuse himself/herself and abstain from discussion and voting on the approval of the Related Party Transaction

Shareholders

- All material related party transactions and subsequent material modifications as defined by the Audit Committee 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 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;
- Further 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;
- Further 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,
- All Related Party Transactions which are not in the ordinary course of business or not at arm's length and which are in excess of the limits prescribed under the Companies Act, 2013 including any modifications or amendments, requiring the approval of shareholders, shall require an approval of the Shareholders by way of a resolution passed at the general meeting of the Company; and in such cases, the Related Party/(ies) to the transaction shall abstain from voting on such resolution.

The provisions of regulation 23(2), (3) and (4) shall not be applicable in the following cases:

- a) transactions entered into between two government companies;
- b) transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- c) transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Information to be provided to shareholders for consideration of RPTs

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;
- 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 as specified earlier; (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) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- f) Any other information that may be relevant.

Factors / Guidelines for the Audit Committee and Board of Directors for approving the Related Party Transactions

In determining whether the approval can be provided to a Related Party Transaction, the following factors shall be considered:

- Whether the Related Party Transaction is in the ordinary course of business of the company;
- Whether the Related Party Transaction is on arm's length basis;
- Whether there are adequate reasons of business expediency for the Company to enter into the Related Party Transaction, after comparing alternatives available, if any;
- Whether in case of RPT concerning the director or KMP, it is ensured that the concerned director is recused from participating in the said agenda item;
- Whether the proposed Related Party Transaction includes any potential reputational /regulatory risks that may arise as a result of or in connection with the proposed transaction;
- Whether the Related Party Transaction would present an improper conflict of interest for any director or key managerial personnel of the Corporation, taking into account the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of interest of the Related Party in the transaction and such other factors as the Audit Committee or Board of Directors deems relevant

Reporting & Disclosures

- Details of all material related party transactions including any subsequent material modifications with related parties shall be disclosed quarterly along with the compliance report on corporate governance;
- The particulars of contracts or arrangement with related parties referred in section 188(1) of the Companies Act 2013 to be disclosed in the Directors Report in Form AOC-2;
- The listed entity shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time and publish the same on its website. Effective April 01, 2022, the Company shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results and effective April 01, 2023, the Company shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results

- The Company shall disclose the policy on dealing with Related Party Transactions on its website and provide a web link of the same in the Annual Report.

Limitation & Amendment

In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.