

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING WITH RELATED PARTY TRANSACTIONS

POLICY

The Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions (the “**Policy**”) sets forth the conduct and manner to deal with all the related party transactions of HLE Glascoat Limited (formerly Swiss Glascoat Equipments Limited) (the “**Company**”). Accordingly, all Related Party Transactions shall be subject to review by the Board of Directors (the “**Board**”) and/ or the Audit Committee and/or the shareholders in accordance with the procedures set forth below. This Policy is governed by the provisions of the CA'13 and rules/regulations related thereto and the Regulations (as amended from time to time).

This Policy shall be framed and implemented and amended as and when required by the Audit Committee, subject to approval by the Board.

PURPOSE

This policy is intended to ensure the proper procedures related to transactions between the Company and its related parties related to them. Such transactions are appropriate only if they are in the best interest of the Company and our stakeholders.

DEFINITIONS

CA'13 in this Policy shall be construed as the Companies Act, 2013 (as amended from time to time).

The Regulations refer to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended from time to time).

❖ Related Party:

In terms of Section 2(76) of the CA'13 and Regulation 2(zb) of the Regulations, “related party”, with reference to a Company, means—

- (i)** a director or his relative;
- (ii)** a key managerial personnel or his relative;
- (iii)** a firm, in which a director, manager or his 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 relatives, more than two per cent. 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:

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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) a director or key managerial personnel of the holding Company or his relative with reference to a Company, shall be deemed to be a related party.

(x) an entity which is a related party under applicable accounting standards;

Provided that:-

(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:

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)

❖ Relative:

In accordance with Section 2(77) of the CA'13 & Clause 2(zd) of the Regulations, 'relative', with reference to any person, means anyone who is related to another, if—

(i) they are members of a Hindu Undivided Family;

(ii) they are husband and wife; or

(iii) Father (including step-father)

(iv) Mother (including step-mother)

(v) Son (including step-son)

(vi) Son's wife.

(vii) Daughter.

(viii) Daughter's husband.

(ix) Brother (step-brother)

(x) Sister (the step-sister)

❖ Key Managerial personnel (KMP):

KMP are defined under Section 204 of the CA'13 as under:

i. Managing Director or CEO or the manager or in their absence, the whole-time director

ii. Company Secretary, and

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iii. Chief Financial Officer

Related Party Transactions:

Clause 2(zc) of the Regulations provided that a related party transaction is 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; 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.

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:
 - (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 Board:

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);

❖ Material Related Party Transactions:

All transactions with a related party shall be considered material if the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds thresholds as specified in the CA'13 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Provided that a transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous

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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 with effect from July 01 2019, 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.

- ❖ **Arm's length Transaction** means a transaction between two related parties that is conducted as if they were unrelated, so there is no conflict of interest.

- ❖ **Ordinary course of business** for the purpose of this Policy refers to routine business activities, transactions, customs and practices carried out by the Company and includes any incidental activities thereto, by taking into consideration following criteria:
 - i. Permissible activity
 - ii. Nature of activity
 - iii. Frequency pattern
 - iv. Historical practice
 - v. Industrial norms and practice

DISCLOSURE OF INTEREST BY DIRECTOR/ KMP IN EXISTING OR POTENTIAL TRANSACTIONS

All Directors and KMPs shall declare and disclose their concerns or interests in any entity and/ or with any individual in the first Board meeting held after their appointment and/or held in every financial year and whenever there is change in their disclosures.

Every Director/KMP shall provide notice to the Audit Committee or the Board disclosing his concern/ interest in any existing/ potential related party transactions along with any additional information as and when required by the Audit Committee or the Board to arrive at a decision related to the approval of the said RPT.

APPROVAL OF RELATED PARTY TRANSACTIONS

- ❖ All Related Party Transactions -

and subsequent material modifications shall require prior approval of the audit committee of the listed entity.

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- ❖ Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

Provided further that:

- (a) the audit committee of a listed entity shall define “material modifications” and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions;
 - (b) a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity 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 listed entity;
 - (c) with effect from April 1, 2023, a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity 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;
 - (d) prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity 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/ the Board shall approve only those related party transactions which are to be entered into in ordinary course of business and at arm’s length within the stipulated threshold value limits as specified in Section 188 of the Companies Act, 2013 and Rules made there under.
 - ❖ 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 consider following base for granting the omnibus approval to Related Party Transactions:
 - i. Nature of proposed RPTs- routine and repetitive
 - ii. Proposed RPTs are in ordinary course of business and at arm’s length price &/or other terms & conditions
 - iii. Value and quantity to be ordered are unpredictable as proposed RPTs are need-based transactions
 - iv. Proposed RPTs are to be executed for ease in production process

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- b.** The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- c.** Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, 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, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.
- d.** Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval 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.

- ❖ All material related party transaction and subsequent material modifications as defined by the audit committee under sub-regulation (2) 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 a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

- ❖ 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:

Provided that a 'high value debt listed entity' shall submit such disclosures along with its standalone financial results for the half year:

Provided further that the listed entity shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results:

Provided further that the listed entity shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.

- ❖ Except with the consent of the Board of Directors and subject to such conditions as prescribed in the CA'13, no Company shall enter into related party transactions which are not in ordinary course of business and/or not at arm's length price but

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whose value is within the limits as prescribed in the CA'13 and rules made there under.

- ❖ Related party transactions which are not in ordinary course of business and/or not at arm's length price and whose value exceeds the limits as prescribed in the CA'13 and rules made there under shall take be executed only after obtaining the prior approval of the Company by a resolution of shareholders in the General meeting:

1. All material related party transactions shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions.

2. Details of all related party transactions as approved by the Audit Committee and/ or the Board, as the case may be, shall be placed before the Audit Committee and/ or the Board on quarterly basis for their review.

3. Notwithstanding the above, any related party transactions related to-

- (i) payment to the Director/ KMP in connection with his/ her duties to the Company or its subsidiaries/ associates, including reimbursement of reasonable business and travel expenses incurred in ordinary course of business.

- (ii) pro-rata receipt of benefits by the concerned related parties wherein interest of a related party arises solely from ownership of the securities of the Company

MANNER OF APPROVAL OF THE RELATED PARTY TRANSACTIONS

- ❖ Each director who is a related party with respect to a particular related party transaction shall disclose all material information to the Committee concerning such Related Party Transaction and his or her interest in such transaction.

- ❖ The agenda of the Committee Meeting/ Board meeting at which the resolution is proposed to be moved shall disclose-

- (a) the name of the related party and nature of relationship;
- (b) the nature, duration of the contract and particulars of the contract or arrangement;
- (c) the material terms of the contract or arrangement including the value, if any;
- (d) any advance paid or received for the contract or arrangement, if any;
- (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and

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- (g) any other information relevant or important for the Board to take a decision on the proposed transaction.
- ❖ Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement and decision of approval/ disapproval and voting process related thereto.
- ❖ The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars namely:-
 - (a) name of the related party ;
 - (b) name of the director or key managerial personnel who is related, if any;
 - (c) nature of relationship;
 - (d) nature, material terms, monetary value and particulars of the contract or arrangement
 - (e) any other information relevant or important for the members to take a decision on the proposed resolution.
- ❖ All related parties who are members of the Company shall not vote on resolution for approval of concerned related party transactions.
- ❖ Related parties who are members of the Company shall abstain from voting on resolutions related to material related party transactions whether they are related parties to the particular transaction or not.
- ❖ Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting under sub-section (1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the Company against any loss incurred by it.

POWERS OF THE COMMITTEE

The Committee shall review the material facts of all Related Party Transactions and may also approve or disapprove of the entry into the Related Party Transaction, subject to the exceptions described below.

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The Committee will take into account, among other factors it deems appropriate, whether the Related Party Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Party's interest in the Related Party Transaction.

REGISTERS OF CONTRACTS OR ARRANGEMENTS

A Register of Contracts/ Arrangements shall be maintained as prescribed containing particulars of contracts or arrangements with a related party with respect to transactions requiring approval of the Board/ General Meeting and other particulars as prescribed.

The entries in the register shall be made at once, whenever there is a cause to make entry, in chronological order and shall be authenticated by the Company secretary of the Company or by any other person authorised by the Board for the purpose.

The register shall be kept at the registered office of the Company and the register shall be preserved permanently and shall be kept in the custody of the Company secretary of the Company or any other person authorised by the Board for the purpose.

The Company shall provide extracts from such register to a member of the Company on his request, within seven days from the date on which such request is made upon the payment of such fee as may be specified in the articles of the Company but not exceeding ten rupees per page.

EXECUTION OF RELATED PARTY TRANSACTIONS WITHOUT REQUIRED AUTHORISATION

- **Ratification of Contracts**

Ratification can be obtained from the Audit Committee and/or the Board and/or the Shareholders, as the case may be, within 3 months from the date of such contract. If no ratification is obtained within the above period, the contract shall be voidable at the option of the Board. Further, if the contract is with a Party which is related to any director or is authorised by any other director, such director/s shall be liable to indemnify the Company against any loss incurred.

- **Authority to Company to proceed against Director or Employee:**

The Company may proceed against any director or any other employee who has entered into such contract in violation of the provisions for the recovery of any loss sustained.

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- **Penalties for contravention**

Any non-compliance to aforesaid provisions lead to penal consequences as stipulated in the CA'13.

DISCLOSURES

Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.

The Company shall disclose the Policy on dealing with Related Party Transactions on its website and disclosure of web-link in the Annual Report.

Every contract or arrangement to be entered into requiring shareholders' approval by way of resolution in the general meeting shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

Details of every contract or arrangement entered into with the approval of the Audit Committee and/or the Board shall be provided in the Board's report in prescribed format.

ADMINISTRATIVE MEASURES

Management shall institute appropriate administrative measures to provide that all Related Party Transactions are not in violation of, and are reviewed in accordance with, these Policies and Procedures.

Without prejudice to anything contained in sub-section (3), it shall be open to the Company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

INTERPRETATION

In any circumstance where the terms of these Policies and Procedures differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over these policies and procedures until such time as these Policies and Procedures are changed to conform to the law, rule, regulation or standard.

REVIEW AND AMENDMENT

The Policy shall be reviewed by the Board at least once in every three years and at any time consequent upon any amendment to applicable laws of land and shall be updated accordingly.

Date: 11th February, 2022