



POLICY ON RELATED PARTY TRANSACTIONS

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Table of Contents

1. Scope and Purpose
2. Objectives of the Policy
3. Definitions
4. Materiality Thresholds & Material Modification
5. Related Party Transactions Approval Mechanism
6. Pre-approved / Ratified Transactions
7. Disclosure of interest by Directors / KMPs
8. Review and approval of Related Party Transactions
9. General

1. SCOPE AND PURPOSE

Havells India Limited (“HIL” or “Company”) is governed, amongst others, by the rules and regulations framed by Securities Exchange Board of India (“SEBI”). SEBI has mandated every listed company to formulate a policy on materiality of Related Party Transactions and on dealing with Related Party Transactions.

Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Regulation 23”) as amended from time to time and ensure proper approval and reporting of transactions between the Company and its Related Parties, the Board hereby adopts the following Related Party Transactions Policy based on recommendations of the Audit Committee.

2. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out (a) the materiality thresholds and material modification for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Companies Act, 2013, Regulation 23 of the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

3. DEFINITIONS

- 3.1 **“Act”** means the Companies Act, 2013, including the Rules, Regulations, Schedules, clarifications and guidelines issued and amended by the Ministry of Corporate Affairs, from time to time.
- 3.2 **“SEBI Listing Regulations”** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time
- 3.3 **“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.
- 3.4 **“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 Memorandum & Articles of Association.
- 3.5 **“Related Party”** have the meaning as defined in Section 2(76) of Companies Act, 2013 and Regulation 2(1)(zb) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

- 3.6 **“Key Managerial Personnel” or “KMP”** shall have the meaning as defined in the Companies Act 2013 and as amended from time to time.
- 3.7 **“Relative”** in relation to an Individual, means persons as defined under section 2(77) of the Companies Act, 2013 and the SEBI Listing Regulations.
- 3.8 **“Related Party Transaction”** as defined under the SEBI Listing Regulations means a transfer of resources, services or obligations between the Company 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
 - g) 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.

- 3.9 **“Subsidiary”** means a Company as defined under section 2(87) of the Act
- 3.10 **“Associate”** means a Company as defined under section 2(6) of the Act.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation and as amended from time to time.

4. Materiality Thresholds

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

A 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

- a) exceeds Rs. 1,000 Crore or
- b) 10% of the annual consolidated turnover of the Company as per the last audited financial statements, whichever is lower.

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.

Additionally, the Company on an annual basis will also set the limits for its Projected Related Party Transactions for the consideration and approval by the Audit Committee and the Board of Directors.

Material Modification: Any modification in the material terms and conditions of the existing transaction shall be considered as material modification and would require approval of the Audit Committee.

5. RELATED PARTY TRANSACTIONS - APPROVAL MECHANISM

- As per the Companies Act, 2013, any transaction entered into by the Company with a related party 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.

Instances of such transactions which the Company normally undertakes on an arm's length basis in conducting its business operations and activities cover transactions such as sale or purchase of finished goods, work in progress, raw material, reimbursement of expenses etc.

- As per the SEBI Listing Regulations, all Related Party Transactions and subsequent material modification, as described above, require prior approval of the Audit Committee of the Company.

Provided that only those members of the Audit Committee, who are Independent Directors, shall approve related party transactions.

Provided further that,

- a) a related party transaction to which a 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 10% of the annual consolidated turnover, as per the last audited financial statements of the Company;

- b) with effect from April 1, 2023, a related party transaction to which a 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 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary;

The Shareholders of the Company vide Special Resolution dated 9th June, 2014, had sanctioned annual limits for the financial year 2014-15 and beyond for certain foreseeable related party transactions. These are placed before the Audit Committee and before the Board of Directors every quarter for review.

- In case of a Related Party Transaction which cannot be foreseen, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- Further, the following type of related party transactions and subsequent material modification, as described above, shall require prior 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 permissible limits as given under Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014

6. PRE-APPROVED / RATIFIED TRANSACTIONS

In terms of this Policy, the Related Party Transactions listed below shall be deemed to be Pre-Approved or Ratified Transactions and are not subject to further review and approval or ratification of the Board of Directors or the Audit Committee:

- **Transactions approved by Special Resolution of the Shareholders**
All transactions covered by the Special Resolution dated 9th June, 2014 specifying annual limits for certain Related Party Transactions of the Company.
- **Directors Compensation**
Any transaction that involves the providing of compensation to Directors in connection with his or her duties to the Company or any of its subsidiaries or affiliates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.

7. DISCLOSURE OF INTEREST BY DIRECTORS/ KMPs

Every Director and KMP shall, in adherence of the provisions of Companies Act, 2013 and the SEBI Listing Regulations in this regard, furnish necessary disclosures (annually and whenever there is a change) about his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding, in the manner prescribed.

Further, it shall be the duty of members of the Board and KMP to disclose to the Board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the company.

Every Director should forthwith bring to the attention of Board any related party transaction that he or she anticipates/ foresees to ensure adherence to applicable compliance norms, obtaining necessary approval in that regard.

8. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

8.1 Approval of Related Party Transactions

In determining whether to approve a Related Party Transaction, the Audit Committee shall consider such factors as it deems appropriate, including without limitation:

- a) Type, material terms and particulars of the proposed transaction;
- b) Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c) Tenure of the proposed transaction
- d) Value of the proposed transaction;
- e) The percentage of the listed entity'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
 - 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, intercorporate 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 RPT.
- g) Justification as to why the RPT is in the interest of the listed entity;
- 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

8.2 Review of Related Party Transactions

Related Party Transactions will be brought to management's and the Board's attention on a periodical basis with intimation from Finance and Accounts department. The same shall be consolidated by the Office of the Secretary in form of a Statement of Related Party Transactions and presented to the Audit committee on a quarterly basis for review by the Committee and information of the Board.

The Company shall also disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or not at arm's length basis along with the justification for entering such transaction.

In addition, the Company shall specifically provide details of all related party transactions exceeding the materiality threshold on a quarterly basis to the stock exchanges.

9. GENERAL

The Board of Directors may review and amend this Policy from time to time but not later than three years from its last review or any other timeframe as may be stipulated under the governing laws in force.

The Policy shall be disseminated to all commercial heads and shall be available on the intranet and website of the Company.

In the event of any conflict between the Policy and the provisions of any other statute, rule, regulation, the provisions of the statute will prevail.

Any notification/ circular or other statutory guideline(s)/ regulation(s) on the subject, shall automatically have the effect of amending this Policy with effect from the date as mentioned in the relevant amendment/ circular/ notification/ clarification etc. as issued, without the need of any further approval by the Audit Committee or Board of Directors.
