

**Hero FinCorp Ltd.**

Related Party Transactions Policy

## 1. Introduction

Hero FinCorp Ltd. (hereinafter referred to as HFCL or the company) recognizes that Related Party Transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company and its shareholders' best interests and in compliance to the provisions of the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosures Requirement) Regulations, 2015.

The Board of Directors of the Company has adopted the following policy and procedures with regard to materiality of Related Party Transactions and also on dealing with them as defined below.

The objective of this policy is to regulate transactions between the Company and its Related Parties based on the Companies Act 2013, Securities and Exchange Board of India (Listing Obligations and Disclosures Requirement) Regulations, 2015 and other laws and regulations applicable to the Company.

## 2. Definitions

These definitions should be read together with the definitions contained in SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015, and Companies Act, 2013 and if there is any divergence in the definitions mentioned herein then the definitions contained in the regulations and act shall prevail.

**“Act”** means the Companies Act, 2013

**“Audit Committee”** means the Committee of the Board formed under Section 177 of the Act.

**“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

**“Company”** means Hero FinCorp Limited.

**“Designated Securities** means specified securities, non-convertible debt securities, non-convertible redeemable preference shares, perpetual debt instrument, perpetual non-cumulative preference shares, Indian depository receipts, securitised debt instruments, security receipts, units issued by mutual funds and any other securities as may be specified by the Board.

**“Director”** means a person as defined in Section 2(34) of the Companies Act, 2013.

**“Half Year”** means the period of six months commencing on the first day of April or October of a financial year.

**“High Value Debt Listed Entities”** means a listed entity which has listed its non-convertible debt securities and has an outstanding value of listed non-convertible debt securities of INR 500 Crore and more.

**“Key Managerial Personnel”** shall mean the officers/ employees of the Company as defined in Section 2(51) of the Companies Act, 2013.

**“Listed Entity”** means an entity which has listed, on a recognised stock exchange(s), the designated securities issued by it or designated securities issued under schemes managed by it, in accordance with the listing agreement entered into between the entity and the recognised stock exchange(s).

**“Material modifications”** means any modifications to the material related party transactions which were approved by the Audit Committee or Shareholders during the year which will change the complete nature of the transaction and in case of monetary thresholds which is in excess of 10% of the originally approved transaction, in case of exigencies only.

**“Material Related Party Transaction”** means a transaction entered individually or taken together with previous transactions during a financial year value of which exceeds INR 1,000 Crores or 10% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower as per the last audited financial statements of the Company.

**“Material Subsidiary”** means a subsidiary, whose income or net worth exceeds 10% of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

**“Non-Convertible Debt Securities”** means ‘debt securities’ as defined under the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021.

**“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.

**“Promoter”** means the person/ entity as defined in regulation 2(oo) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 or a person as defined in section 2(69) of the Companies Act, 2013.

**“Promoter Group”** means the person/ entity as defined in regulation 2(pp) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

**“Regulations”** means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**“Relative”** with reference to a Director or KMP means the person as defined in Section 2(77) of the Act and rules prescribed thereunder.

**“Related Party”** means an individual, entity, firm, body corporate or person as defined in Section 2(76) of the Act and regulation 2(zb) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

**“Related party transaction”** means any transactions as given under clause (a) to (g) of section 188(1) of the Act or transfer of resources, services or obligations between:

- a. 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
- b. 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.

Following shall not be considered as 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.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013 or in SEBI (LODR) Regulations, 2015 or such other regulations as applicable from time to time.

### **3. Applicability**

This policy shall be applicable on all related party transactions entered into by and between Hero FinCorp Limited and its related parties and shall come into effect from the 01<sup>st</sup> day of April, 2022.

### **4. Review and approval of Related Party Transactions**

Every Related Party Transaction shall be subject to the prior approval of the Audit Committee. Further, members of the audit committee who are Independent Director shall approve related party transaction and member of the Audit Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of such transaction.

The approval policy framework is given below:

- a. Audit Committee approval:** Prior approval of audit committee is required for the following

related party transactions:

- Where Company is a party;
- Where subsidiary of the Company is a party but the Company is not a party, 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, where subsidiary of the Company is a party but the Company is not a party, 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;
- Transaction of the Company and/ or its subsidiaries with unrelated parties, the purpose and effect of which is to benefit the Related parties of the Company or any of its subsidiaries.

**b. Board approval:** Following transaction shall require approval/ of the Board:

- In case any Related Party Transactions as referred 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, such transactions shall be affected only with prior approval of the Board of Directors of the Company, on recommendation of Audit Committee.
- Material Related Party Transactions not in ordinary course or not on an arm's length basis shall require prior approval of the board.

**c. Shareholders' approval:** Following transaction shall require approval of the shareholders:

- All material related party transactions whether in ordinary course of business and/ or arm's length basis or not shall require approval of the shareholders and the related parties shall abstain from voting on such resolutions irrespective of whether the entity is a party to the particular transaction or not;
- All transactions exceeding the threshold limit as specified in section 188 of the Act;

## **5. Procedure for omnibus approval of Related Party Transactions**

Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the company in accordance with rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014 and subject to the following conditions:

- a. Audit committee shall review the following for granting approval to the proposed related party transaction.
  - i. Type, material terms and particulars of the proposed transaction;

ii. 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);

iii. Tenure of the proposed transaction (particular tenure shall be specified);

iv. Value of the proposed transaction;

v. 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);

vi. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:

vi-a) details of the source of funds in connection with the proposed transaction;

vi-b) 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;

vi-c) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and

vi-d) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.

vii. Justification as to why the RPT is in the interest of the listed entity;

viii. A copy of the valuation or other external party report, if any such report has been relied upon;

ix. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;

b. On the basis of the above information, Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;

c. Omnibus approval resolution shall specify the following: -

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

Further, 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 INR 1 crore per transaction.

d. Audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity 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:

## **6. Information to be provided to Audit Committee for approval of Related party transactions**

Audit Committee shall approve the related party transaction on the basis of receipt of information as mentioned in point 5(a) of this policy.

## **7. Information to be provided to Shareholders for approval of Related party transactions**

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. Summary of the information provided by the management of the listed entity to the audit committee as specified in point 5(a) of this policy;

b. Justification for why the proposed transaction is in the interest of the listed entity;

c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details specified under point 6(a) of this policy; *(The requirement of disclosing source of funds and cost of funds shall not be applicable on the company.)*

d. A statement that the valuation or other external report, if any, relied upon by the listed entity 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;

## **8. Reporting of Related party transactions**

**a. Disclosure in Annual Report:** Company shall make the disclosure of related party in its annual report in compliance with the Accounting Standard further company shall make the disclosure of transactions entered into with any person or entity belonging to the promoter/promoter group which holds 10% or more shareholding in the listed entity in the format prescribed in the relevant accounting standards for annual results.

**b. Disclosure in Corporate Governance Report:** Company shall make the disclosure of its materially significant related party transactions in its Corporate Governance report.

**c. Disclosure to the regulator:** Company shall submit to the stock exchanges disclosures of the related party transactions in the format specified by SEBI on the day of disclosure of financial statement to the SEBI.

**d. Website Disclosure:** Company shall publish the disclosure of related party transactions furnished to SEBI on its website.

## **9. Review of the Policy**

The Policy shall be reviewed on an annual basis pursuant to any regulatory amendment or for any reason as deemed appropriate by the Board of the company.

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