

Hemisphere Properties India Limited

Policy

on

**Materiality of Related Party Transactions
and Dealing with Related Party
Transactions**

Policy on Materiality of Related Party Transaction

Pursuant to Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time

SCOPE AND PURPOSE OF THE POLICY

Transactions and Reporting of Related Party Transaction

Hemisphere Properties India Limited identified that Related Party Transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders and may raise questions whether such transactions are in the larger interest of the Company. Considering the compliance with the provisions of the Companies Act, 2013 and 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 and as amended from time to time,

Hemisphere Properties India Limited (Company) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions. Also, Regulation 23(1) of the SEBI Listing Regulations requires the company to formulate a policy on materiality of related party transactions and dealing with related party transactions. In the light of the above, the Company has framed this Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee will review and amend the Policy, as and when required, subject to adoption by the Board. The policy envisages the procedure governing Related Party Transactions required to be followed by Company to ensure compliance with the requirements under law.

2.0. Applicable Definitions

2.1. Act means Companies Act, 2013;

2.2. 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,

2.3. Board means the Board of directors of Hemisphere Properties India Limited.;

2.4. Committee means the Audit committee of Board as defined under the Companies Act, 2013 and the Listing Regulations ;

2.5. Company means Hemisphere Properties India Limited.;

2.6. Government Company: As per Section 2(45) of the Companies Act, 2013, ‘Government Company’ means any company in which not less than fifty one per cent of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company.

2.7. Policy means this Policy.

2.8.Rules means the Company (Meetings of Board and Its Powers) Rules, 2014;

2.9.Key Managerial Personnel or KMP means:

- (i) Managing Director, or Chief Executive Officer or Manager;
- (ii) Company Secretary;
- (iii) Whole time Director;
- (iv) Chief Financial Officer;
- (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- (vi) such other officer as may be prescribed.

2.10. Listing Regulations means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;

2.11. Related Party: An entity shall be considered as related to the Company if:

(i) such entity is a related party as defined under Section 2(76) of the Companies Act, 2013; or

(ii) such entity is a related party under the applicable accounting standard(s). Related Party under Section 2(76) of the Companies Act, 2013

- a. a Director or his relative;
- b. a Key Managerial Personnel or his relative;
- c. a firm, in which a Director, Manager or his relative is a partner;
- d. a private company in which a Director or Manager is a member or Director;
- e. a public company in which a Director or Manager is a Director or holds along with his relatives, more than two per cent of its paid-up share capital;
- f. 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;
- g. 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;

h. 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.

i. A Director or Key managerial personnel of the holding company or his relative.

j. such other person as may be prescribed under the Companies Act, 2013 or any other statutory provisions for the time being in force.

Related Parties under the applicable Accounting Standards: 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. They include the following:-

- a) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);
- b) associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture;
- c) individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
- d) key management personnel and relatives of such personnel; and
- e) enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

2.12. “Related Party transactions” Section 188 of the Companies Act, 2013 encompasses all contracts or arrangements with a Related Party with respect to:-

- (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; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the company.

Further, as per SEBI (LODR) Regulations, 2015, “related party transaction” means a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged. Further, a "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

2.13. Relative means relative as defined under the Companies Act, 2013. A person shall be deemed to be relative of another, if he or she is related to another in the following manner, namely:

- 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 (including step-brother)
- x. Sister (including step-sister)
- xi. Brother’s wife
- xii. Sister’s husband

2.13 “**Material Related Party Transaction**” means a transaction with a Related Party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

i) Notwithstanding the above, a transaction involving payments made to related party with respect to brand usage or royalty shall be considered material, if the transactions to be entered into individually or taken together with the previous transactions during a financial year exceeds 2% of the annual consolidated turnover of the Company as per the last audited financial statement of the Company, which require the approval of the shareholders under the Listing Regulations, and other such RPT(s) which require the approval of the shareholders in terms of section 188(1) of the Act read with rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014 as amended from time to time.

ii) Under companies Act, 2013 material related party transactions have not been defined. However, Section 188 of the Companies Act, 2013, read with related rules specify certain contracts and arrangements as enlisted in Column (1) of the Table given below , which if entered into between the Company and its related party(ies), will be considered as material related party transaction(s) only if such transactions are not on Arm’s Length Basis and are not in the Ordinary Course of Business and are falling in the ambit of thresholds set out below. The company shall also be required to pass an ordinary resolution if such transaction or transactions, exceed the limits as mentioned in the threshold.

3. MANNER OF DEALING WITH RELATED PARTY TRANSACTION

3.1 Identification of Related Parties

The Company has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Regulation 2(1)(zb) of the SEBI Listing Regulations.

3.2 Identification of Related Party Transactions

The Company has formulated guidelines for identification of related party transactions in accordance with Section 188 read with Section 177 of the Act and Regulation 2(1)(zc) of the SEBI Listing Regulations. The Company has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm’s length basis and for this purpose, the Company will seek external expert opinion, if necessary

4 DEALING WITH RELATED PARTY TRANSACTIONS

4.1 The Company shall enter into any contract(s) or arrangement(s) or transaction(s) with a Related Party only after seeking prior approvals of the following:-

A. **Audit Committee:** All Related Party Transactions, whether entered on arm's length basis or not, shall require **prior** approval of the Audit committee either by circulation or at a meeting. The Audit Committee may also 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, after obtaining approval of the Board of Directors, lay down the criteria while granting omnibus approval and such approval shall be applicable in respect of transactions which are repetitive in nature.

b. The Audit Committee shall satisfy itself the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company;

c. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, viz.:-

i. Repetitiveness of the transactions (in past or in future),

ii. Justification for the need of omnibus approval.

d. Such omnibus approval shall specify:-

(i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that can be entered into, in aggregate in a year, maximum value per transaction which is allowed,

(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.

However, 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 Rs. 1 crore per transaction.

e. 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 approval given.

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

g. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

B. Board of Directors: All Related Party Transactions, which are proposed to be entered by the Company (i) other than in ordinary course of business; and / or (ii) other than on arm's length basis, shall require **prior** approval of the Board of Directors of the Company, by means of passing of resolution at a meeting of the Board.

Where any Director is interested in any Related Party Transaction, such Director will abstain from discussion and voting on the resolution relating to such transaction.

The concerned senior management is responsible for placing Agenda before the Audit Committee and /or Board of Directors in respect of all Related Party Transaction(s) requiring approvals (including omnibus approval or ratification) in accordance with the clauses of this Policy.

C. Shareholders of the Company: **Prior** approval of the shareholders of the Company shall be required in case of :-

- a) All material Related Party Transactions as per the Listing Agreement, through a Resolution,
- b) All other Related Party Transactions, which are proposed to be entered by the Company
 - (i) other than in ordinary course of business; and / or
 - (ii) other than on arm's length basis, whose value exceeds the threshold limits as prescribed under provisions of Companies Act, 2013 read with Rule 15 of the Companies (Meetings of the Board & its Powers) Rules, 2014, as given below through an Ordinary resolution:-

S. No	Nature of transaction as per Section 188 of the Companies Act, 2013	Threshold limit for seeking approval of shareholders
1	Sale, purchase or supply of any goods or materials	Exceeding ten percent of the turnover of the Company or Rs.100 crore, whichever is lower
2	selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents	Exceeding ten percent of net worth of the Company or Rs. 100 crore, whichever is lower
3	leasing of property of any kind*	amounting to ten per cent or more of Turnover or Net Worth or Rs. 100 Crore, whichever is lower
4	availing or rendering of any services directly or through appointment of agents	amounting to ten per cent or more of Turnover or Rs. 50 Crore, whichever is lower
5	such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company	monthly remuneration exceeding Rs. 2.5 Lakh
6.	Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company	exceeding 1% of Net Worth

*The Turnover or Net Worth referred in the above table shall be computed on the basis of the Audited Financial Statement of the preceding financial year.

Further, if the shareholders of the Company have passed a resolution approving the overall limit for any or all of the above-mentioned transactions taken together, the overall limit will be applicable for all the transactions taken together.

Explanation:-

- *The limits specified in sub-clauses 1) to 4) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.*
- *Turnover or net worth shall be computed on the basis of the Audited Financial Statement of the preceding Financial Year.*
- *All entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.*

Non Applicability

As per provisions of the Companies (Amendment) Act, 2015, proviso to Clause 49 (VII) (E) of the Listing Agreement and in line with Notification dated 5th June, 2015 issued by Ministry of Corporate Affairs (MCA), **the requirement of obtaining prior approval of shareholders shall not be applicable to :-**

1. Transactions entered into between Company and its wholly-owned subsidiary(ies) whose accounts are consolidated with Company's accounts and placed before the shareholders at the general meeting for approval, and
2. Contracts or arrangements entered into by it with any other Government Company.

5. INFORMATION TO BE FURNISHED FOR SEEKING PRIOR APPROVAL OF THE AUDIT COMMITTEE, BOARD OF DIRECTORS & SHAREHOLDERS IN RESPECT OF RELATED PARTY TRANSACTIONS

The Agenda of the Audit Committee and Board Meeting seeking approval in respect of Related Party Transaction shall disclose the following:-

- (a) Name of the related party and nature of relationship;
- (b) Nature, duration of the contract and particulars of the contract or arrangement;
- (c) Material terms of the contract or arrangement including the value, if any;
- (d) Advance paid or received for the contract or arrangement, if any;
- (e) 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
- (g) Any other information relevant or important for the Board to take a decision on the proposed transaction.

Further, Explanatory Statement to be annexed to the notice of a general meeting seeking approval of shareholders shall contain the following particulars viz.:-

- (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.

6. RATIFICATION OF TRANSACTIONS WITH RELATED PARTIES WHICH WERE ENTERED WITHOUT BOARD / SHAREHOLDERS' APPROVAL

In exceptional circumstances, where it is not feasible to seek prior approval of the Audit Committee, Board of Directors and / or shareholders, as the case may be, in respect of any Related Party Transaction, then it shall be required to be ratified by the Audit Committee, Board of Directors and / or shareholders, as the case may be, within a period of three months of entering into Related Party Transaction.

Further, while submitting proposal for ratification of any Related Party Transaction by the Audit Committee / Board / shareholders, the concerned Division shall incorporate adequate justification for entering into Related Party transaction without seeking prior approvals, in the Agenda note.

In case, the same 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 authorized by any other Director, the Directors concerned shall indemnify the company against any loss incurred by this.

7. DISCLOSURES

7.1 Every Director of a Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into –

7.2 With a body corporate in which such director or such director in association with any other director, holds more than two per cent. shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or

7.3 With a firm or other entity in which, such director is a partner, owner or member, as the case may be; shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting:

Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

7.4 The transaction entered into with the related party/ies shall be disclosed in the Annual Report/Accounts as per the disclosure requirement of the Companies Act, 2013 and Listing Regulations.

The particulars of contracts or arrangements with related parties shall be disclosed in the Directors' Report of the Company for every financial year in Form AOC-2 (enclosed as **Annexure I** to this policy), pursuant to provisions of Section 134(3)(h) of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014.

7.5 The particulars of all the Related Party Transaction entered into with the approval of the Audit Committee / Board of Directors / Shareholders shall be entered into the Register of Contract or Arrangements in which Directors are interested, maintained by the Company and all the compliance related thereto shall be done as per the provisions of the Companies Act, 2013 and Listing Regulations.

7.6 The Company shall 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 into such transaction.

The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

In addition to the above, the Company shall also provide details of all related party transactions exceeding the materiality threshold to the stock exchanges.

8. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation by the defaulting person (as may be decided by the Audit Committee) to the related party or the Company as the case may be, etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

8. REVIEW OF THE POLICY

The CMD of Company has power to review adequacy power to amend any of the clauses of this Policy in the light of changes in statutory provisions, as may be notified, from time to time.
