



# **HERO MOTOCORP LIMITED**

## **Related Party Transactions Policy**

# CONTENTS

<b>INTRODUCTION</b>	<b>1</b>
<b>DEFINITIONS</b>	<b>1</b>
<b>SCOPE OF THE POLICY</b>	<b>3</b>
<b>PROCEDURE FOR APPROVAL OF RELATED PARTY</b>	<b>3</b>
<b>ARM'S LENGTH TRANSACTION</b>	<b>6</b>
<b>DISCLOSURES</b>	<b>7</b>
<b>VIGIL MECHANISM</b>	<b>7</b>
<b>GUIDELINES FOR APPROVAL OF A RELATED PARTY TRANSACTION BY THE BOARD/AUDIT COMMITTEE</b>	<b>7</b>
<b>RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY</b>	<b>8</b>
<b>CONSEQUENCES OF NON-COMPLIANCE OF THE POLICY</b>	<b>9</b>
<b>LIMITATION AND AMENDMENTS</b>	<b>9</b>

## RELATED PARTY TRANSACTIONS POLICY

### I. Introduction

Hero MotoCorp Limited (“**Company**”) recognizes that Related Party Transactions (*defined below*) 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 are in compliance with the provisions of the Act (*defined below*) and the Listing Regulations (*defined below*). The Listing Regulations also requires the Company to formulate a policy on materiality of Related Party Transactions and dealing with Related Party Transactions.

In light of the above, the Company has framed this policy on materiality of Related Party Transactions (“**Policy**”) which also includes guidelines and procedures for dealing with all Related Party Transactions to be entered into by the Company.

This Policy as duly modified and adopted by the Board of Directors of the Company (“**Board**”) on February 6, 2025 under the nomenclature “Related Party Transactions Policy” shall be implemented with immediate effect and shall remain in force as amended from time to time unless otherwise directed by the Board. This Policy shall be reviewed by the Board as and when required or at least once in three (3) years and may be subject to further amendment/modification pursuant to such review.

The objective of this Policy is to regulate Related Party Transactions based on the Act, Listing Regulations and other applicable laws from time to time.

### II. Definitions

“**Act**” means the Companies Act, 2013 (to the extent that such enactment is in force and applicable to the context in which such term is used herein), the rules framed under it from time to time, and shall include all amendments, modifications and re-enactments of the foregoing.

“**Arm’s Length Transaction**” means a transaction between two Related Parties (*defined below*) that is conducted as if they were unrelated, so that there is no conflict of interest.

**“Audit Committee”** means the audit committee constituted by the Company in accordance with the provisions of the Act and the Listing Regulations.

**“Director”** means a person as defined in Section 2(34) under the Act.

**“KMP(s)” or “Key Managerial Personnel(s)”** shall mean the officers/employees of the Company as defined under the Act.

**“Listing Regulations”** shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and shall include all amendments, modifications and re-enactments of the foregoing.

**“Material Related Party Transaction(s)”** shall mean a transaction which individually or taken together with previous transactions during a financial year, exceeds Indian Rupees one thousand crore (INR 1000 crore only) or ten percent (10%) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Further, 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 exceeds five percent (5%) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

**“Ordinary Course of Business”** shall mean routine transactions, customary practices, and activities that the Company regularly engages in to conduct its operations or are incidental to its business operations. This encompasses all actions including that are allowed by the Company’s Memorandum & Articles of Association. Additionally, any transactions typical within the industry where the Company operates characterized by their regular occurrence, established patterns, and uniformity also fall under the umbrella of ordinary course of business. The Board of Directors and Audit Committee may lay down principles for determining ordinary course of business in accordance with statutory requirements and other industry practices and guidelines.

**“Related Party (ies)”** shall have the meaning ascribed to it under the Act and the Listing Regulations.

**“Related Party Transaction(s)”** means a transaction, contract or arrangement involving a transfer of resources, services or obligations as defined under the Act and the Listing Regulations.

A transaction with a Related Party shall be construed to include a single transaction or a group of transactions in a contract.

Further, the transactions, contracts and arrangements specifically excluded under the Act or Listing Regulations shall not be considered Related Party Transaction(s).

**“Subsequent Material Modifications”** with respect to a Related Party Transaction shall mean:

- any change in the approved methodology of price computation,
- an increase beyond ten percent (10%) on the overall approved transaction amount for a Related Party.

**“Subsidiary”** in relation to any other company (that is to say the holding company), shall mean the company defined in section 2(87) of the Act.

Any other term not defined herein shall have the same meaning as defined in the Act, the Listing Regulations, Securities Contracts (Regulation) Act, 1956 and/or other applicable laws.

### **III. Scope of the Policy**

The Act and the Listing Regulations cover in their ambit all the dealings and transactions of a listed entity and its subsidiaries with Related Parties. Accordingly, this Policy shall be applicable to any transfer of resources, services or obligations between the Company or any of its subsidiaries and the Related Party of the Company or any of its subsidiaries (on the basis of the threshold limits specified in the Listing Regulations) the purpose and effect of which is to benefit a Related Party of the Company or any of its subsidiaries, whether or not, there is an element of consideration, price or cash-flow.

### **IV. Procedure for Approval of Related Party Transactions**

#### **I. Regular Approval:**

- a. All Related Party Transactions and Subsequent Material Modifications to the same shall be subject to the prior approval of the Audit Committee of the Company in terms of Regulation 23 of Listing Regulations. Based on the terms and conditions of a transaction, and applicable regulatory requirements, the Audit Committee will have the discretion to recommend / refer a transaction for the approval of the Board or the shareholders, as it may deem fit.
- b. 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 ten percent (10%) of the annual standalone turnover, as per the last audited financial statements of the subsidiary.
- c. Only those members of the Audit Committee, who are independent directors, shall approve any Related Party Transaction. Where any Director is an interested party in a transaction, contract or arrangement with a Related Party, such Director shall not participate during discussions or vote on the subject matter of the resolution related to such transaction, contract or arrangement.
- d. The Company shall obtain approval of the Board of Directors in respect of the following transactions:
  - Transactions specified in Section 188(1) of the Act which are not in the ordinary course of business and/or not on arm's length terms.
  - Material Related Party Transactions
  - Any other transaction as prescribed by the Act, Listing Regulations or any other applicable rules, notifications, etc.
- e. Any Director having a potential interest in the proposed Related Party Transaction will recuse himself/herself and abstain from discussion and voting on the proposal for approval of the said transaction.
- f. All Material Related Party Transactions and Subsequent Material Modifications thereto, shall require prior approval of the shareholders of the Company through a resolution. Additionally, Related Party Transactions which are not in the Ordinary Course of Business, or are

not an Arm's Length Transaction and exceed certain threshold limits prescribed under the Act, shall also require shareholders' approval. No Related Party shall vote to approve a shareholders' resolution, whether it is a Related Party to the particular transaction or not.

- g. The requirement of passing a shareholders' resolution as mentioned above, shall not be applicable to transactions entered into between:
  - (i) the Company and its wholly owned Subsidiaries; and,
  - (ii) two wholly-owned Subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- h. The Company may get its Material Related Party Transactions reviewed from a third party.
- i. In the event that prior approval of the Audit Committee is not obtained in accordance with this Policy before entering into a Related Party Transaction, the Audit Committee may ratify such Related Party Transaction. The ratification may be granted by the Audit Committee, at its discretion, only through those members who are independent Directors, subject to the following terms and conditions being met in such cases:
  - (i) Such transaction is presented before the Audit Committee for ratification: (a) within three (3) months from the date of such transaction being entered into; or, (b) during the immediate next meeting of the Audit Committee, whichever occurs earlier;
  - (ii) The total value of such transaction with a Related Party (whether individual or combined) during a financial year does not exceed Indian Rupees one crore (INR 1 crore only);
  - (iii) Such transaction is not a Material Related Party Transaction according to the provisions of this Policy;
  - (iv) Detailed reasoning for failure or inability to seek prior approval for such transaction, is provided to the Audit Committee while seeking ratification; and,
  - (v) Other terms and conditions specified by the Audit Committee as it may deem fit.

The failure to seek ratification from the Audit Committee in the above-mentioned case, may render the transaction voidable at the discretion of the Audit Committee. Further, if such transaction involves a Related Party to any Director or is authorized by such Director, then the concerned Director(s) shall indemnify the Company against any resulting losses.

Details of the ratified Related Party Transaction should be disclosed by the Company alongside other Related Party Transactions to the stock exchanges on a half-yearly basis.

## **II. Omnibus Approval:**

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiary subject to the following terms and conditions:

- a. The Audit Committee may grant omnibus approval in respect of transactions which are repetitive in nature.
- b. The Audit Committee shall satisfy itself that there is a 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 during the year, (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;
- d. The Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company or its subsidiary pursuant to each of the omnibus approvals given.
- e. Such omnibus approvals shall be valid for a period not exceeding one (1) financial year and shall require fresh approval after the expiry of such financial year.
- f. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

## **V. Arm's Length Transaction**

The Company has laid out a robust framework to assess whether transactions with Related Parties are done on an arm's length basis. Globally accepted

practices and principles have been incorporated in the framework. Tests to determine that transactions are in “Ordinary Course of Business” and on an “arms’ length basis” are conducted on an ongoing basis.

## **VI. Disclosures**

- a. All Directors/KMPs are required to disclose the parties in which they are interested/deemed to be interested in such form as prescribed by the Company (i) at the time of their appointment, (ii) annually and (iii) whenever there is any change.
- b. Further, each Director and KMP of the Company shall promptly notify the secretarial department of the Company of any material transaction or relationship that could reasonably be expected to give rise to a conflict of interest.
- c. Adequate disclosures of all Related Party Transactions shall be made to the Audit Committee, stock exchanges, published on the Company’s website and provided in the annual report of the Company and/or notice of the annual general meeting of the Company as per the Act and the Listing Regulations.
- d. The Company shall disclose the Policy on dealing with Related Party Transactions on its website and a web-link thereto shall be provided in the annual report of the Company.

## **VII. Vigil Mechanism**

Any Director, KMP or employee of the Company, can access the vigil mechanism or approach the compliance officer of the Company to report a non-compliant and/or fraudulent Related Party Transaction entered into by the Company.

## **VIII. Guidelines for Approval of a Related Party Transaction by the Board/Audit Committee**

To review a Related Party Transaction, the Board/Audit Committee will be provided with all prescribed and relevant information of the Related Party Transaction, including but not limited to the terms of the transaction, the business purpose of the transaction and the benefits to the Company. In determining whether a Related Party Transaction can be approved or not, the Board/Audit Committee will consider the following factors, among others, to the extent relevant to the concerned Related Party Transaction:

- a. Whether the terms of the Related Party Transaction are fair to the Company and would apply on the same basis as if the transaction did not involve a Related Party;
- b. Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- c. Whether the Related Party Transaction would impair the independence of an otherwise independent Director or nominee of a Director;
- d. Whether the Related Party Transaction would present an improper conflict of interest for any Director, nominee of a Director or KMP of the Company, taking into account the size of such transaction, the overall interest of the Director, Nominee of the Director, executive officer or other Related Party, the direct or indirect nature of the Director's nominee, executive officer's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factor, the Board/Audit Committee deems relevant.

#### **IX. 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 either the Board/Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Board/Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Board/Audit Committee has authority to modify or waive any procedural requirements of this Policy, subject to the provisions of the Act and the Listing Regulations.

## **X. Consequences of Non-Compliance of the Policy**

Non-compliance of this Policy may lead to initiation of disciplinary proceedings against the concerned employee, Director or KMP, as the case may be. Details of such disciplinary proceedings will form part of the personal file of such personnel and will be considered as a default of his or her key responsibilities.

The afore-mentioned shall be over and above the prescribed penal consequences under the Act and the Listing Regulations.

## **XI. Limitation and Amendments**

In the event of any conflict between the provisions of this Policy and the Act, Listing Regulations, and/or other applicable laws, the provisions of such Act, Listing Regulations and/or the applicable law, as the case may be, 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.

\*\*\*\*\*