



## **UNITED BREWERIES LIMITED**

### **RELATED PARTY TRANSACTIONS POLICY**

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Approved by	Board of Directors
Approved on	12.11.2014
Amended on	Circular Resolution dated 10.10.2021
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United Breweries Limited, # 24, UB City, UB Tower, Vittal Mallya Road, Bangalore- 560 001

## **1. Policy Statement**

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United Breweries Limited (“Company” or “UBL”) believes in conduct of its affairs in a fair, accountable, and transparent manner and is committed to creating a culture of ‘Right Doing’ that encourages highest standards of professionalism, ethics, integrity, and objectivity in the conduct of its operations and avoid any potential or actual conflicts of interest.

## **2. Purpose and Scope**

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The Board of Directors (“Board”) of the Company has adopted this Related Party Transactions Policy (‘Policy’) to regulate Related Party Transactions (as defined later) in accordance with the provisions of the Companies Act, 2013 (‘Act’), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (‘LODR’ or ‘Listing Regulations’) and other applicable laws.

The Company shall engage with Related Parties (as defined later) in the ordinary course of business and on an arm’s length basis to leverage scale, size and drive operational synergies to provide value added, innovative products to its consumers while ensuring that transactions with Related Parties are, fully compliant with applicable law & regulations.

## **3. Definitions**

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“**Act**” means Companies Act, 2013, Rules framed thereunder and any amendments thereto.

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

“**Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted under Section 177 of the Act and Regulation 18 of the LODR.

“**Board**” means Board of Directors of the Company.

“**Company**” means United Breweries Limited

“**Compliance Officer**” means Company Secretary & Compliance Officer of the Company.

“**Key Managerial Personnel or KMP**” means key managerial personnel as defined under the Act

“**LODR or Listing Regulations**” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

“**Material Related Party Transaction**” means a transaction with a related party if:

- a) the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds Rupees One Thousand Crore or Ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company, whichever is lower.
- b) 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 Company as per the last audited financial statements of the Company.

**“Material Modification”** means modification to a Material Related Party Transaction if there is a major variation in the terms of agreement with existing Related Parties or changes in the regulatory framework affecting the pricing guidelines of Related Party Transactions or change to the extent of 20% higher than the existing limits as approved by the Audit Committee. For avoidance of doubt, the Audit Committee of the Company shall have the final authority in deciding the materiality of the modification to Related Party Transactions.

**“Materiality Threshold”** means limits for Related Party Transactions beyond which the Shareholders' approval will be required as specified in Act and rules thereof and amendments thereto.

**“Ordinary Course of Business (‘OCB’)”** means a transaction which/wherein:

- is carried out in the normal course of business envisaged in accordance with the Memorandum of Association (‘MoA’) of the Company as amended from time to time, or
- is as per historical practice with a pattern of frequency, or
- is in connection with the normal business carried on by the Company, or
- the income, if any, earned from such activity/transaction is assessed as business income in the Company’s books of accounts and hence is a business activity, or
- is common commercial practice or meets any other parameters/criteria as decided by the Board/Audit Committee.

**“Policy”** means Related Party Transactions Policy

**“Related Party”** means a related party as defined under Section 2(76) of the Act, applicable accounting standards and Regulation 2(zb) of LODR.

**“Relative”** means any person as defined under Section 2(77) of the Act and rules prescribed there under

**“Related Party Transaction or RPT”** shall have the meaning as defined under Regulation 2(1)(zc) of the LODR and as envisaged in Section 188(1) of the Act.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, LODR or any other applicable law or regulation.

#### **4. Approval of Related Party Transactions (RPTs)**

All Related Party Transactions and subsequent Material Modifications shall require approval of the Audit Committee, Board or shareholders of the as prescribed in law and in accordance with this Policy.

##### **4.1 Approval of the Audit Committee:**

All related party transactions and subsequent material modifications shall require prior approval of the Audit Committee.

Any member of the Audit Committee, who has a potential interest in any Related Party Transaction, will recuse himself or herself and abstain from voting on the approval or ratification of such Related Party Transaction. Such member may, however, participate in discussions with respect to other Related Party Transactions placed for approval or ratification of the Audit Committee.

In dealing with Related Party Transactions, the Company will follow the below mentioned approach:

#### **4.1.1 Identification of Related Party Transactions**

All Related Party Transactions and subsequent Material Modifications shall be identified and brought to the notice of the Audit Committee of the Company.

Any employee of the Company who is aware of any transaction that is or may be perceived to be a Related Party Transaction is required to bring the same to the attention of the Audit Committee of the Company through the Compliance Officer.

All Directors, Members of the Management and Key Managerial Personnel (KMPs) are responsible for informing the Company of their interest (including interest of their Relatives) in other companies, firms, or concerns at the beginning of every financial year and any change in such interest during the year. In addition, all Directors, Members of the Management Committee and KMPs are responsible for providing notice to the Compliance Officer of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Audit Committee may request. The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction is in the ordinary course of business and on an arm's length basis.

Such notice of any potential Related Party Transaction should be given well in advance so that the Compliance Officer has adequate time to obtain and review information about the proposed transaction and to refer it to the Audit Committee.

#### **4.1.2 Identification of Potential Related Party Transactions**

Each director and Key Managerial Personnel are responsible for providing a Notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Audit Committee/ Board may reasonably request. The Audit Committee/ Board will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company prefers to receive such Notice of any potential Related Party Transaction well in advance so that the Audit Committee/ Board has adequate time to obtain and review information about the proposed transaction.

#### **4.1.3 Factors while deciding on undertaking RPTs**

The Company shall be guided by the following factors/parameters to decide whether a particular RPT shall be undertaken –

- Whether the RPT is in ordinary course of business. In deciding the same, the following factors would be relevant:
  - (i) whether the transaction is in line with the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities;
  - (ii) whether it is permitted by the Memorandum and Articles of Association of the Company; and
  - (iii) whether the transaction is such that it is required to be undertaken in order to conduct the routine or usual transactions of a Company;
  - (iv) The transaction is not
    - (a.) an exceptional or extraordinary activity as per applicable accounting standards or financial reporting requirements;
    - (b.) any sale or disposal of any undertaking of the Corporation, as defined in explanation to clause (a) of sub-section (1) of section 180 of the Act;

- Whether the RPT is on arms' length basis, that is, transaction between two Related Parties is conducted as if they were unrelated, so that there is no question of conflict of interest. The following may be relevant factors:
  - (i) The contracts/ arrangements are entered into with Related Parties, are at such prices/ discounts/ premiums and on such terms which are offered to unrelated parties of similar category/ profile;
  - (ii) The contracts/ arrangements have been commercially negotiated;
  - (iii) The pricing is arrived at as per the rule/ guidelines that may be issued by or acceptable for the purpose of Ministry of Corporate Affairs, Income Tax Act, 1961, Securities and Exchange Board of India and/or such other statutory or regulatory bodies as applicable to any of the contract/ arrangements contemplated under the Act, Rules framed thereunder or Listing Regulations;
  - (iv) The terms of contract/ arrangement other than pricing are generally on a basis similar to those as may be applicable for similar category of goods and services or similar category/ profile of counterparties;
  - (v) Such other criteria as may be issued under Applicable Law

Arms' length nature of the transaction would depend not only on the price or value involved, but also on other terms and conditions of the transaction, for example, credit period allowed for payment against products/services, , etc.

- Whether there are any compelling reasons for the Company to enter into the proposed Transaction;
- Whether the proposed Transaction would compromise the independence of an independent director or the auditors of the Company;
- Whether the proposed Transaction includes any potential reputational risk that may arise as a result of or in connection with the proposed Transaction;
- Whether the Company was notified about the proposed Transaction in advance and if not, why pre-approval was not sought and whether subsequent ratification, if allowed, would be detrimental to the Company; and
- Whether the proposed Transaction would present an improper conflict of interest for any Director or KMP of the Company, taking into account the size of the Transaction, the overall financial position of the Director/KMP or other Related Party, nature of the Director's/KMP's/other Related Party's interest in the transaction, the nature of ongoing relationship and any other factors the Audit Committee deems relevant.

#### **4.1.4. Omnibus Approval**

All Related Party Transactions shall require prior approval of the Audit Committee. However, 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 conditions:

- a) 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

- b) Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may make omnibus approval for such transactions subject to their value not exceeding Rupees One Crore per transaction.
- c) 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 approval given.
- d) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of the financial year.
- e) All material related party transactions and subsequent material modifications shall require prior approval of the shareholders through Resolution.
- f) Related party shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

#### **Criteria for consideration of Omnibus Approval**

- 1) **Maximum value of transactions in aggregate allowed for the year:** The Company shall at the beginning of each year (in the first Board Audit Committee meeting of the financial year where the full years financials are being tabled for approval) share the maximum limit for each category of transaction with each of the related parties based on the plan for the year. Any deviation from the same will be ratified in the subsequent quarters Board/ Audit Committee meeting along with the rationale for such deviation.
- 2) **Maximum value per transaction allowed during the year:** At the beginning of the year, the maximum amount per transaction with related parties to be entered during the year may be indicated. If there is a revised forecast during the year, the same may be updated to the Audit Committee. Any deviation from the same will be ratified in the subsequent quarters Audit Committee meeting along with the rationale for such deviation.
- 3) **Disclosures to be made to the Audit Committee for seeking omnibus approval:** Name of the related party, brief description of the transactions, nature and duration of product / service taken / given, value of transaction, the basis for considering the transaction as being at arms' length and in the ordinary course of business as certified by the Managing Director & Chief Executive Officer and the Chief Financial Officer along with such other information as the Audit Committee may seek from time to time.
- 4) **Intervals at which the Audit Committee would review the transactions entered with related parties:** The same should be reviewed on quarterly basis.
- 5) **Transactions which cannot be subjected to omnibus approval:** Only the transactions which are repetitive in nature and covered above shall be subject to omnibus approval. Any one-off transaction other than the ones in ordinary course of business (including Premium, Claims, Commission, reinsurance, reimbursement of shared expenses, investments as per investment guidelines and technology and other support provided within existing agreements with any related party shall require specific approval of the Audit Committee.

The Audit Committee shall consider the repetitiveness of transactions with the related parties in the past and in future and the justification of the need for such omnibus approval and that there is need to approve repetitive transactions in the interest of the Company. While approving the related party transactions, for maximum of 1 year at a time, the Audit Committee shall indicate the following in the omnibus approval:

- 1) Name of the related parties,
- 2) Nature and duration of the transaction,
- 3) Maximum amount of transaction that can be entered into
- 4) Indicative base price or contracted price and formula for variation
- 5) Any other relevant information

#### **4.2 Approval of the Board of Directors**

- In case any RPT is 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; or
  - (iii) elected, suo-moto, by the Board for review; or
  - (iv) mandated under any law to be approved by the Board,then, the considerations set forth above, in case of Audit Committee, shall apply *mutatis mutandis* to the Board with respect to the proposed RPT.
- Any member of the Board who has any interest in any RPT will recuse himself and abstain from participation, discussion and voting on the approval of the RPT.
- where the Board has not accepted the recommendations of Audit Committee, the same shall be disclosed in the Board Report and corporate governance report along with the reasons thereof.
- In all cases where shareholder approval for RPT is required, the same should be placed before the Board for its recommendation to the shareholders.

#### **4.3 Approval of shareholders of the Company**

All Material Related Party Transactions and subsequent Material Modification shall be placed before the shareholders for seeking their prior approval through a resolution. The following materiality threshold shall apply for the Material Related Party Transactions and subsequent Material Modification for the purposes of Companies Act, 2013 and SEBI Listing Regulations:

- a. Transactions with a Related Party covered under Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, shall be governed by the respective limits provided under the said rules.
- b. Transactions with a Related Party as defined under the SEBI Listing Regulations, materiality threshold shall be as per limits specified under the SEBI Listing Regulations, 2015 as amended from time to time.
- c. For payment to a Related Party with respect to brand usage or royalty, materiality threshold shall be as per limits specified under the SEBI Listing Regulations as amended from time to time.
- d. Modification to a Material Related Party Transaction shall be considered as 'Material Modification' if there is a major variation in the terms of agreement with existing Related Parties or changes in the regulatory framework affecting the pricing guidelines of Related Party Transactions or change to the extent of 20% higher than the existing limits as approved by the Audit Committee. The Audit Committee of the Company shall have the final authority in deciding the materiality of the modification to Related Party Transactions.

#### **5. Related Party Transactions that shall not require Approval**

Following transactions shall not require approval:

- (a) 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) Following corporate actions 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) retail purchases from any Company or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/ offered to all employees and directors.
- (d) remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall neither require approval of the audit committee nor required to be disclosed under sub-regulation (9) of this regulation provided that the same is not material in terms of the provisions of sub-regulation (1) of this regulation.

Such other exclusions and exemptions as may be provided under the Act/Listing Regulations, or other applicable laws from time to time.

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## **6. Related Party Transactions not approved under this Policy**

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all 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 Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- (ii) the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation;
- (v) any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it.

**7. Reporting of Related Party Transactions:**

Reporting of RPTs shall be done as required and in accordance with the provisions of the Act and the Listing Regulations, including the following -

**Board's report:** Every contract or arrangement which is required to be approved by the Audit Committee / Board/shareholders under this Policy, shall be referred to in the Board's report to theshareholders along with the justification for entering into such contract or arrangement.

**Stock exchanges:** The Company shall disclose all RPTs transactions with Related Parties to the stock exchanges or any other authority under Listing Regulations or any other law for the time being in force.

Such disclosure shall also be placed before Audit Committee at periodic intervals.

**8. Miscellaneous**

- The Audit Committee is authorized to amend or modify any part of the Policy. Any such amendment shall be placed before the Board in its next meeting for confirmation.
  
- This Policy shall also be reviewed by the Board -
  - at least once in every three years, and
  - as and when required by the Board, and
  - as and when circumstances arise.
  
- This Policy shall be disclosed on the website of the Company and such web link shall also be provided in the Annual Report.
  
- If the terms of this Policy 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 this Policy until this Policy is changed to conform to the law, rule, regulation or standard.

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