

# **HCL TECHNOLOGIES LIMITED**

## **DIVIDEND DISTRIBUTION POLICY**

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**Effective Date** : **May 11, 2017**

## **REVISION HISTORY**

<b>Version</b>	<b>Description</b>	<b>Effective Date</b>	<b>Approved By</b>
<b>1.0</b>	<b>HCL Dividend Distribution Policy</b>	<b>May 11, 2017</b>	<b>The Board of Directors in its meeting held on May 9-11, 2017</b>
<b>2.0</b>	<b>HCL Dividend Distribution Policy</b>	<b>January 14, 2022</b>	<b>The Board of Directors in its meeting held on January 14, 2022</b>

## **1. Preface**

The Board of Directors (the "**Board**") of HCL Technologies Limited (the "**Company**") has adopted the 'Dividend Distribution Policy' (the "**Policy**") of the Company with regard to the determination of criteria to be considered by the Board before recommending the final dividend to the shareholders and/or declaring the interim dividend by the Board. The Policy is framed under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "**Listing Regulations**").

## **2. Background and Applicability**

The Securities and Exchange Board of India ("**SEBI**") vide its Notification dated July 08, 2016 has amended the Listing Regulations by inserting Regulation 43A in order to make it mandatory to have a Dividend Distribution Policy in place by the top five hundred listed companies based on their market capitalization calculated as on the 31<sup>st</sup> day of March of every year.

The Company being one of the top five hundred listed companies as per the criteria mentioned above, has approved and adopted this Policy at the meeting of its Board of Directors held on May 9-11, 2017, being the effective date of the Policy.

## **3. Purpose, Objectives and Scope**

The Policy sets out the circumstances and different factors for consideration by the Board at the time of taking decisions of distribution of dividend or of retention of profits, in the interest of providing transparency to the shareholders. The Policy also aims to ensure the right balance between the quantum of dividend paid and the amount of profits retained in the business for various purposes.

The Policy is not an alternative to the decision of the Board for recommending/declaring dividend, which takes into consideration all the relevant circumstances enumerated hereunder or other factors as may be decided by the Board.

The Policy reflects the intent of the Company to reward its shareholders by sharing a portion of its profits after retaining sufficient funds for growth of the Company. The Company shall pursue this Policy, to pay, subject to the circumstances and factors enlisted herein, dividend, which shall be consistent with the performance of the Company over the years.

## **4. Factors to be considered before recommending dividend**

The Board will consider the following factors before recommending dividend to the shareholders of the Company:

## **A. Financial / Internal Factors**

1. Financial performance of the Company for the year for which dividend is recommended, including the free cash flow generated and the cash flow position;
2. Any interim dividend paid;
3. Accumulated reserves;
4. Dividend payout trends (the dividend payout ratio will be calculated as a percentage of dividend (including dividend tax) recommended for the year to the net profit for that year);
5. Financial requirements of the Company such as capital expenditure, working capital or other requirements;
6. Business expansion and growth including acquisitions, mergers/demergers;
7. Investments in subsidiaries/associates of the Company;
8. Tax implications if any, on distribution of dividends;
9. Cost of raising funds from alternate sources of capital;
10. Likelihood of crystallization of contingent liabilities, if any;
11. Such other factors and/or material events which the Board may consider.

## **B. External Factors**

1. Macro-economic environment;
2. Industry outlook;
3. Shareholders' expectations;
4. Capital markets;
5. Cost of external financing;
6. Government policies, industry specific rulings & regulatory provisions; including policies adopted by the countries where the Company conducts its business or gets its business from;
7. Prevailing legal requirements, regulatory conditions or restrictions laid down under the applicable laws including tax laws;
8. Dividend pay-out ratios of companies in the same industry.

## **5. Dividend Eligibility**

The Company has only one class of equity shareholders and does not have any issued preference share capital. Therefore, dividend declared will be distributed among all the shareholders, based on their shareholding on the record date. The Shareholders can waive/forgo the right to receive dividend by giving an advance notice which will be considered at the time of declaration / recommendation of dividend.

## **6. Circumstances under which shareholders may or may not expect Dividend**

The shareholders of the Company may not expect dividend in the following circumstances, subject to the discretion of the Board:

1. Proposed expansion plans requiring higher capital allocation;
2. Decision to undertake any acquisition(s), amalgamation(s), merger(s), joint venture(s), etc. which requires significant capital outflow;
3. Requirement of higher working capital for the purpose of business of the Company;
4. Utilization of surplus cash generated during the financial year in entirety for alternative forms of distribution such as buy-back of securities; or
5. In the event of loss or inadequacy of profit.

## **7. Utilization of Retained Earnings**

The retained earnings of the Company may be used in any of the following ways:

1. Capital expenditure for working capital;
2. Organic and/or inorganic growth;
3. Investment in new business(es) and/or additional investment in existing business(es);
4. Declaration of dividend;
5. Capitalization;
6. Buy back of shares;
7. General corporate purposes, including contingencies;
8. Correcting the capital structure;
9. Such other criteria's as the Board may deem fit from time to time; or
10. Any other usage as permitted under applicable laws / regulations.

The Company would utilise the retained earnings of the Company in a manner which is beneficial to the interest of the Company and its stakeholders.

## **8. Parameters with regard to various classes of shares**

Presently, the share capital of the Company comprises of equity shares only. In the absence of any other class of shares, the entire distributable profit for the purpose of declaration of dividend is considered for the equity shareholders.

The Policy shall be suitably revisited at the time of issue of any new class of shares depending upon the nature and guidelines thereof.

## **9. Types of Dividend**

The Companies Act, 2013 deals with two types of dividend – Interim and Final.

### **A. Interim Dividend:**

Interim dividend is the dividend declared by the Board between two Annual General Meetings as and when considered appropriate. The Act authorizes the Board to declare interim dividend(s) during any financial year out of the profits for the financial year in which the dividend is sought to be declared and / or out of the surplus in the profit and loss account.

Normally, the Board considers declaring interim dividends on a quarterly basis, after the finalization of the quarterly financial statements. The Board may also recommend special dividend as and when it deems fit.

### **B. Final Dividend:**

Final dividend is the dividend recommended for the financial year at the time of approval of the Annual Financial Statements. The Board shall have the power to recommend final dividend to the shareholders for their approval at the Annual General Meeting of the Company. The decision whether or not to recommend the final dividend shall be made by the Board after considering the interim dividend(s) declared during the year.

## **10. General**

The Board may, from time to time, amend, modify, repeal or revise any or all provisions of this Policy. This Policy is also subject to modification, if any, in accordance with the guidelines / clarifications as may be issued from time to time by relevant statutory and regulatory authorities.

If the Board proposes to declare dividend on the basis of criteria in addition to those specified in the Policy, or proposes to modify the criteria, it shall disclose such changes along with the rationale for the same on the website of the Company and in the Annual Report.

In the event of a conflict between this Policy and the external regulations, the regulations shall prevail.

## **11. Disclosure of Policy**

The Policy will be available on the website of the Company [www.hcltech.com](http://www.hcltech.com) and will also be disclosed in the Annual Report.