

HALDIA PETROCHEMICALS LIMITED

POLICY ON RELATED PARTY TRANSACTIONS AND MATERIALITY OF RELATED PARTY TRANSACTIONS

(Pursuant to Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015)

1. INTRODUCTION

Haldia Petrochemicals Limited (hereinafter referred to as “HPL” or “Company”) has formulated this policy on dealing with Related Party Transactions and materiality of Related Party Transactions in accordance with Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) (including any amendment or modification thereof) and also to comply with the provisions of Section 188 of the Companies Act, 2013.

2. OBJECTIVE

This policy provides a framework to regulate transactions between the Company and its related parties and also lays down mechanism for identification, approval, review and reporting of such transactions.

3. DEFINITIONS

“**Arm’s length Transactions**” means a transaction between two Related Parties that is conducted as if they are unrelated so that there is no conflict of interest.

“**Audit Committee**” means Committee of Board of Directors of the Company constituted under provisions of the Listing Regulations and Companies Act, 2013.

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

“**Company**” means Haldia Petrochemicals Limited.

“**Key Managerial Personnel**” or “**KMP**” means Key Managerial Personnel as defined under the Companies Act, 2013.

“Material Related Party Transactions” means such Related Party Transaction(s) where the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1,000 crores or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower, or for transactions mentioned under section 188(1) of the Act, exceed the limits specified in Rule 15 of the Companies (Meeting of the Board and its Powers) Rules, 2014. 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, exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“Material Modification” will mean and include any modification to an existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be or such modification which would make the transaction less favourable to the Company.

“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 its Memorandum & Articles of Association. It also includes all such activities which the Company shall undertake in furtherance of the objects as stated in Memorandum of Association of the Company.

“Policy” means this Policy on Related Party Transactions along with regulatory amendments in its respect.

“Relative” means relative as defined under the Companies Act, 2013, and Rules prescribed thereunder as amended from time to time.

“Related Party” means a related party as defined under Section 2 of the Companies Act, 2013 and under Regulation 2(1) (zb) of the Listing Regulations and/or under the applicable Accounting Standards, as amended from time to time.

“Related Party Transaction” (“RPT”) shall mean such transactions as specified under Section 188 of the Companies Act, 2013 or Rules made thereunder and under Regulation 2(1)(zc) of the Listing Regulations, including any amendment or modification thereof.

Regulation 2(1)(zc) states that “related party transaction” means a transaction involving a transfer of resources, services or obligations between:

- (i) 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,
- (ii) 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.

Provided that the following shall not be a 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 by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board.

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognized stock exchange(s)

Further, unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013/ Listing Regulations as may be amended from time to time and shall have the meaning respectively assigned to them therein.

4. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

Each Director and Key Managerial Personnel is required to give notice of disclosure of interest under section 184 of the Companies Act 2013, along with their list of relatives to the Company. The Company shall collate the data and shall at all times maintain database of Company's Related Parties and shall ensure that no transaction is entered into with any Related Party without requisite approvals.

Further each Director, KMP is also responsible for providing notice to the Board or Audit Committee of any potential RPT involving him or her or his or her relative, including any additional information about the transaction that Board/Audit Committee may reasonably request.

5. PROCEDURE TO BE ADOPTED FOR APPROVAL OF RELATED PARTY TRANSACTIONS

I. APPROVAL OF AUDIT COMMITTEE

All Related Party Transactions and subsequent modifications thereon shall require prior approval of the Audit Committee.

Only those members of the Audit Committee, who are independent directors, shall approve related party transactions.

Prior approval of the Audit Committee shall also be required for the following Related Party Transactions:

(a) a related party transaction to which the 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 10% of the annual consolidated turnover, as per the last audited financial statements of the Company;

(b) with effect from April 1, 2023, a related party transaction to which the 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 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

In case any member of the Committee is interested in the transaction proposed for approval, the interested member shall abstain from voting and only the dis-interested members shall vote on the resolution.

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

The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature.

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

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, (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; The 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. The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

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

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

The Company shall provide the following information, for review of the Audit Committee for approval of a proposed RPT:

- i. Type, material terms and particulars of the proposed transaction;
- ii. Name of the related party and its relationship with the Company 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 Company'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 Company or its subsidiary:
 - a) details of the source of funds in connection with the proposed transaction;
 - 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;
 - c) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - 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;
- x. Any other information that may be relevant.

II. APPROVAL OF BOARD OF DIRECTORS

All the Related Party Transactions under section 188 of the Companies Act 2013 shall be approved by the Board of Directors of the Company, Except:

- a. transactions entered into by the Company are in its ordinary course of business; and transactions are at an arm's length basis.
- b. All Material Related Party Transactions as defined above shall be approved by the Board of Directors of the Company.

III. APPROVAL OF SHAREHOLDERS

All material related party transactions and any subsequent modifications shall require prior approval of the Shareholders and no related party shall vote to approve such resolutions whether the entity is a related party to such transaction or not.

6. FACTORS TO BE CONSIDERED WHILE GRANTING APPROVAL TO RELATED PARTY TRANSACTIONS

The Audit Committee/Board will consider the following factors, among others, to the extent relevant to the RPT while granting the approval- Whether the terms of the RPT are fair and on arm's length basis to the Company and would

- apply on the same basis if the transaction did not involve a Related Party; Whether there are any compelling business reasons for the Company to enter into the RPT and
- the nature of alternative transactions, if any; Whether the RPT would affect the independence of an Independent Director;
- Whether the transaction qualifies to be a transaction in ordinary course of business;
- Whether the transaction is in the interest of the Company;
- Whether the RPT would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the terms and size of the transaction, the purpose and timing of the transaction, the direct or indirect nature of the transaction, Key Managerial Personnel's or other Related Party's interest in the transaction.

7. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a RPT with a Related Party that has not been approved as per this Policy, the matter shall be reviewed by the Audit Committee. The Committee shall consider all of the relevant facts and circumstances regarding the RPT, and shall evaluate all options available to the Company, including ratification by it or recommending the Board for their ratification or seeking approval of Shareholders, revision or termination of the RPT. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPT to the Committee under this Policy, and shall take any such action it deems appropriate. The Committee has authority to modify or waive any procedural requirements of this Policy.

Following transactions not to be considered as Related Party Transactions:

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee, Board of Directors or Shareholders:

- a. Any transaction that involves the providing of compensation in connection with his or her duties to the Company or to any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- b. Reimbursement made of expenses incurred by a Related Party for business purpose of the Company, or Reimbursement received for expenses incurred by the Company on behalf of a Related Party.
- c. Reimbursement of pre-incorporation expenses incurred by or on behalf of a Related Party.
- d. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
- e. Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder, and does not require prior approval by the Audit Committee.
- f. Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

- g. Transactions entered into between 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.

8. DISCLOSURES & REPORTING

- Particulars of contracts or arrangements with related parties referred to in Section 188 of the Companies Act, 2013 shall be disclosed in the Director's Report in the prescribed format along with justification for entering into such contracts or arrangements.
- Details of all Material RPT shall be disclosed in the Corporate Governance report on a quarterly basis and submitted to Stock Exchange.
- The Company shall disclose the policy on dealing with RPT on its website and a web link thereto shall be provided in the Annual Report of the Company as prescribed in Schedule V of the SEBI (LODR) Regulations, 2015.
- The Company shall disclose materially significant RPT, which might have potential conflict with interest of the Company in the Annual Report.
- The Company shall submit to the Stock Exchanges disclosure of Related Party Transactions in the format as specified by the SEBI from time to time and also publish the same on its website.
- The Company shall disclose transactions with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more shareholding in the Company, in the format prescribed in the relevant accounting standards for annual results.
- The Company and its subsidiaries shall in 'Corporate Governance Report' disclose Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount.
- The Company shall make such other disclosures as may be required in compliance with the accounting standards on RPT.
- The Company shall keep one or more registers, maintained physically or electronically as specified under Companies Act, 2013 giving separately the particulars of all contracts or arrangements with any related party and shall make the same available for inspection in accordance with the Companies Act, 2013.

9. REVIEW AND AMENDMENT OF THE POLICY

Any subsequent amendment/modification in the Companies Act, 2013 or the Rules framed thereunder or the Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy. The Board of Directors on recommendation of the Audit Committee shall review the policy atleast once in every three years. However, the Board of Directors reserves its right to amend or modify the policy in whole or in part, at any time without assigning any reason whatsoever.

Place: Kolkata

By order of the Board of Directors

Date: 11.11.2022

Sd/-

Company Secretary