

**Hazaribagh Ranchi Expressway
Limited
Policy on Related Party
Transactions**

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POLICY ON RELATED PARTY TRANSACTIONS

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

Effective Date: April 01, 2023

I. INTRODUCTION

Hazaribagh Ranchi Expressway Limited (“**Company**” or “**HREL**”) recognises that Related Party Transactions (*as defined hereinafter*) can present potential or actual conflicts of interest and may raise questions whether such transactions are in the best interest of the Company and its stakeholders. Therefore, this policy regarding the review and approval of Related Party Transactions (*as defined hereinafter*) and the guidelines on materiality of such Related Party Transactions (*as defined hereinafter*) has been adopted by the Company to transparently set forth the procedures under which certain transactions with Related Parties (*as defined hereinafter*) must be approved.

II. APPLICABILITY OF THE POLICY

The policy on materiality of related party transaction is framed in consonance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. This policy shall apply to all prospective transactions. However, all existing material related party contracts or arrangements entered into prior to the date of notification of this policy and continues beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these regulations.

III. DEFINITIONS

“**Act**” means the (Indian) Companies Act, 2013, including any amendments thereto and any rules, regulations, notifications and clarifications made thereunder, to the extent notified, and the (Indian) Companies Act, 1956 any amendments thereto and any rules, regulations, notifications and clarifications made thereunder, to the extent applicable and in force.

“**Arm’s Length Transaction**” means a transaction between 2 (two) related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“**Associate Company**” means a company in which HREL has a significant influence, but which is not a subsidiary company of HREL and includes a joint venture company of HREL.

“**Audit Committee or Committee**” means Audit Committee constituted by the Board of Directors of the Company under the provisions of the LODR and the Act, from time to time.

“**Board of Directors**” or “**Board**” means the Board of Directors of the Company, as constituted from time to time.

“Financial Year” means the period beginning April 1 of every calendar year and ending on March 31 of the succeeding calendar year.

“Holding Company” in relation to one or more other companies, means a company of which such company(s) is a subsidiary companies.

“Independent Director” means an independent director referred to in Section 149(6) of the Act and Regulation 16(b) of the LODR.

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

“Material Related Party Transaction” means

- I. a Related Party Transaction (including any transaction to be entered into with a Related Party, individually or taken together with previous transactions during a Financial Year), which exceeds Rs. 1,000 Crore or 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.
- II. 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 5 % percent of the annual consolidated turnover of the Company as per the last audited financial statements of Company.

“Material modification Transaction” means any subsequent change having variance of 10% or more to the value of existing related party transaction.

“Relative” shall have the same meaning as defined in section 2(77) of the Act.

“Related Party”, with reference to the Company, shall have the meaning defined in section 2(76) of the Act or under applicable accounting standards.

“Related Party Transaction” means a contract or arrangement (including any transaction) as envisaged as a related party transaction under: (i) Section 188 of the Act; and (ii) under the LODR, as may be applicable to the Company.

“Significant Influence” means control of at least 20% (twenty per cent) of the total share capital, or of business decisions under an agreement.

“Subsidiary Company” or “Subsidiary” shall have the same meaning as defined in section 2(87) of the Act.

“Transaction” in relation to a Related Party means the contract or arrangement with the Related Party and shall include, where required, any transaction thereunder with a Related Party in that Financial Year, whether entered into individually or not.

“**Transactions in the ordinary course of business**” means transactions which are in the ordinary course of business as per the judicial precedents in India from time to time.

Explanation – In view of the current judicial precedents, the following tests should be considered to determine if a transaction is in the ‘ordinary course of business’ of the Company:

- (a) the memorandum of association of the Company should include the business activity which is in question;
- (b) previous instances of the Company having carried out the activity in question; and
- (c) the activity in question should be in furtherance of the business objectives of the Company and there should be a close proximity of the activity in question with the normal business of the Company.

IV. PROCESS AND PROCEDURE FOR DEALING WITH RELATED PARTY TRANSACTIONS

- (a) All Related Party Transactions and subsequent material modifications thereto shall require prior approval of the Audit Committee.
- (b) Only those members of the Audit Committee who are independent directors shall approve related party transactions.
- (c) The Audit Committee may grant omnibus approval to Related Party Transactions (subject to fulfilment of criteria for granting omnibus approval as specified in this policy) and such approval shall equally be applicable to transactions thereunder which are repetitive in nature.
- (d) The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company.
- (e) Any member of the Audit Committee interested in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party Transaction.
- (f) Such omnibus approval shall provide for the following details:
 - (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,
 - (ii) the indicative base price/current contracted price and the formula for variation in the price if any; and
 - (iii) any such other information/conditions as the Audit Committee may deem fit.

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus

approval subject to the value not exceeding INR 1,00,00,000/- (Indian Rupees One Crore only) per Transaction.

- (g) The Audit Committee shall review, at least once every quarter, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given by the Audit Committee.
- (h) Such omnibus approvals shall be valid for a period not exceeding 1 (one) year and shall require fresh approvals after the expiry of 1 (one) year.
- (i) Approval of the Board shall be required for entering into the Related Party Transactions which are not in the ordinary course of business or not an Arm's Length Transaction.
- (j) Approval of the shareholders shall be required for entering into the Related Party Transactions which are either not in the ordinary course of business or not on arms' length and exceeding the limits prescribed under the Act read with the rules framed thereunder and the circulars/notifications, etc. issued by the Ministry of Corporate Affairs, from time to time.
- (k) All Material Related Party Transactions and subsequent material modifications shall require the approval of the shareholders.
- (l) 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.
- (m) In the event a Related Party Transaction is covered by applicable provisions of the Act, the Company shall comply with such provisions including requirements as prescribed under the LODR.
- (n) The above provisions (a to n) are not applicable in the following cases:
 - I. transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
 - II. transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval

V. PROCESS AND PROCEDURE FOR DEALING WITH RELATED PARTY TRANSACTIONS TO WHICH THE SUBSIDIARY OF A COMPANY IS A PARTY BUT NOT THE COMPANY

- (a) All Related Party Transactions where the subsidiary of the Company is a party thereto shall require prior approval of the Audit Committee of the Company:

- I. a Related Party Transaction (including any transaction to be entered into with a Related Party, individually or taken together with previous transactions during a Financial Year) exceeds 10% (ten) per cent of the annual consolidated turnover as per the last audited financial statements of the Company.
- II. a Related Party Transaction (including any transaction to be entered into with a Related Party, individually or taken together with previous transactions during a Financial Year) exceeds 10% (ten) per cent of the annual standalone turnover as per the last audited financial statements of the subsidiary.

VI. DISCLOSURE

The particulars of contracts or arrangement with Related Parties referred to in section 188(1) of the Act shall be disclosed in the report of the Board in accordance with Section 134 of the Act. Further, the Company shall provide additional disclosures on related party transactions as required under the LODR.

VII. EXCEPTIONS

Transactions with wholly owned Subsidiaries are exempt from the above requirement.

VIII. POLICY REVIEW

This policy shall be subject to review and changes as may be deemed necessary by the Board of Directors and to comply with any regulatory requirements.