

Policy and Procedures for Related Party Transactions (RPT)

I Overview :

Hazaribagh Ranchi Expressway Limited (the “Company”) has established and adopted this Policy for the Related Party Transactions pursuant to the provisions of Section 188 of the Companies Act, 2013 (“the Act”) and Rules framed thereunder

This Policy and Procedure Regarding RPTs (“RPT Policy”) describe the process for identifying and approval or ratification of the RPTs including any modification thereof as well as establishing certain reporting requirements

II Statutory Provisions pertaining to the RPTs :

Statutory provisions with respect to the RPTs covered in Sections 2 (76), 2(77) and 188 of the Act and Rule 15 of the Companies (Power of the Board and Meetings) Rules, 2014 are annexed in **Annexure 1**

The RPT Policy and RPT Framework have been prepared and adopted to comply with the relevant provisions of the Act. In the event the provisions of the RPT policy and Framework are inconsistent with the Act, the provisions of the Act, as amended from time to time as the case may be, will prevail

III Scope & Applicability :

This Policy applies to all the transactions of the Company with the Related Parties including changes if any in related parties from time to time. The Related Party Transactions of the Company as envisaged under the Act are summarised in **Annexure II**

IV Policy Statement:

- (1) In terms of this RPT Policy neither the Company nor its Officers or employees shall enter into any RPT unless such transaction is:
 - a. in the Ordinary Course of Business and
 - b. on an Arm’s Length Basis; and
 - c. is a RPT covered within the “RPT Framework”

- (2) The RPT Policy and RPT Framework will be reviewed, approved and amended from time to time by the Audit Committee and the Board of Directors of the Company
- (3) The Board having authorized the Management Committee to implement the RPT Policy and RPT Framework, all RPTs of the Company shall be approved by the Management Committee prior to its execution

V Definitions :

(1)	Related Party	(a) is/are as defined in Section 2 (76) of the Act and the Companies (Specification of Definitions Details) Rules, 2014 and any amendment therein from time to time (b) Reference and reliance may be placed on the clarification issued by the Ministry of the Corporate Affairs, Government of India and other Authorities from time to time on the interpretation of the term “Related Party”
(2)	Relative	in relation to a Related Party is as defined in Section 2(77) of the Act and Companies (Specification of Definitions Details) Rules, 2014 and any amendment therein from time to time
(3)	Key Managerial Personnel (KMP)	means (a) the Chief Executive Officer or the Managing Director or the Manager and in their absence the Whole-Time Director; (b) the Company Secretary; (c) the Chief Financial Officer; and (d) any other person appointed as the KMP by the Board of Directors of the Company
(4)	Initiator of RPT	means a person who initiates the RPT The responsibility to consult the RPT Policy and RPT Framework vests with the Initiator.
(5)	Omnibus Approval(s)	Is the approval granted by the Audit Committee/to enter into RPT which are repetitive in nature based on the defined parameters specified in the Act
(6)	RPT Framework	is the RPT Framework approved by the Audit Committee on October 17, 2014 and Board of

		Directors on October 17, 2014 and any amendments thereto from time to time
(7)	Exempt RPT	is a RPT which is in the ordinary course of business and at arm's length and covered by the RPT Framework and RPT Policy. RPTs fulfilling the parameters specified in the RPT Framework shall be deemed to be in the Ordinary Course of Business and on an Arm's Length basis
(8)	Non Exempt RPT	is a RPT : <ul style="list-style-type: none"> - Falling outside the scope of the RPT Framework <u>and /or</u> - Which are not in the Ordinary Course of Business and / or not on an Arm's Length basis <p>Will be considered as the Non-exempt RPT and such Non-Exempt RPT shall be liable for the compliance requirement prescribed under this policy</p>
(9)	Board of Directors or Board	means the collective body of the Directors of the Company
(10)	Audit Committee	means the Audit Committee constituted by the Board of Directors of the Company in accordance with Section 177 of the Act
(11)	Management Committee	means the Management Committee of the Company constituted or reconstituted from time to time
(12)	Chief Executive Officer (CEO)	means a person appointed as the Chief Executive Officer of the Company
(13)	Chief Financial Officer (CFO)	means a person appointed as the Chief Financial Officer of the Company
(14)	Company Secretary (CS)	means a Company Secretary as defined in clause (c) of sub-section (1) of section 2 of the Company Secretaries Act, 1980 who is appointed by the Company to perform the functions of a Company Secretary under the Act
(15)	Managing Director	means Managing Director as defined in Section 2(54) of Companies Act, 2013

(16)	Whole-time Director	means Managing Director as defined in Section 2(94) of Companies Act, 2013
(17)	Manager	means Manager as defined in Section 2(53) of Companies Act, 2013
(18)	Competent Authority	Management Committee , Audit Committee, Board of Directors, Shareholders are jointly and/or severally referred to as the Competent Authority

VI Interpretation of the Policy:

In this Policy singular expression shall include the plural thereof. This Policy shall be interpreted and administered by or under the direction of the Audit Committee.

VII Effective Date :

- (1) This Policy is effective April 01, 2014 (Effective Date)
- (2) All RPTs entered into from the Effective Date and till the date of the approval of this Policy, shall be placed before the Audit Committee for review and further actions / approvals, if any

VIII Identification of the Related Parties :

- (1) On an annual basis, the Company shall request a disclosure from each Director and each KMP and other Related Parties within the meaning of Section 2(76) of the Act and the applicable accounting standards in the prescribed format
- (2) Directors and KMPs would be responsible for promptly notifying the Company in case of any changes / updates occurring in the Related Parties and in respect of details pertaining to such related parties declared by them
- (3) Any individual appointed/elected as a director or KMP shall be responsible to promptly complete and submit to the Company, the Disclosure declaration referred in VII (1) above
- (4) The Group CS shall be responsible to maintain the updated list of Related Parties based on the disclosures received from Directors / KMPs

IX RPTs with Wholly Owned Subsidiaries :

As per the Companies (Amendment) Act, 2015 which received the assent from the President of India on 25 May, 2015, any RPT with a Wholly Owned Subsidiary are exempt from the prior approval of the Audit Committee, Omnibus approval and also from the approval of the Shareholders. Hence this framework shall not be applicable to RPTs with wholly owned subsidiaries.

X RPT Framework:

- (1) The Audit Committee and the Board of Directors of the Company will review and approve the RPT Framework and delegate the implementation of the same to the Audit Committee which will regulate the RPTs falling within this Policy and such RPTs, being non-material RPTs, will be approved by the Management Committee in accordance with the RPT Policy and RPT Framework.
- (2) Company's transactions with the Related Parties falling within the said Framework would be considered / deemed to be in the Ordinary Course of Business and on an Arm's Length basis and would be considered as Exempt Transactions
- (3) The Board of Directors of the Company in its discretion may seek approval of the Shareholders of the Company for the RPT Policy and / or RPT Framework
- (4) All the RPTs of the Company will be subjected to an extensive evaluation and assessment procedure prescribed herein

XI Omnibus Approval:

- (1) In addition to executing RPT as per RPT Policy and Framework, the Company may seek omnibus approval of the Audit Committee for the proposed RPT, if need arise, in compliance with conditions laid down in the Act as amended from time to time. For such Omnibus approval, following conditions shall be fulfilled:
 - a. The Audit Committee shall lay down the criteria for granting omnibus approval in line with the policy on RPTs of the Company and such approval shall be applicable in respect of the transaction which are repetitive in nature;
 - b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;

- c. Such omnibus approval shall specify the following:
- Name(s) of the Related Party;
 - Nature of Transaction;
 - Period of Transaction;
 - Maximum amount of transaction that can be entered into;
 - The indicative base price/current contracted price and the formula for variation in the price, if any, and;
 - Such other conditions as the Audit committee may deem fit
- (2) In case where the need for RPTs cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees One Crore per transaction
- (3) 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. However, the Committee shall review , on a quarterly basis, the detail of RPTs entered into by the Company pursuant to each of the omnibus approval given

XII Notification, Approval, Rejection of a RPT :

(1)	Notification of RPT	<p>(a) No RPT shall be executed by the Company unless such RPT is covered within the scope of the RPT Framework and approved by the Management Committee and / or such other Competent Authorities</p> <p>(b) If the proposed transaction is not approved by Management Committee, such RPT shall be proceeded with only after approval from the Audit Committee, and / or Board of Directors and / or the Shareholders of the Company as applicable</p>
(2)	Initiators' Responsibilities	<p>Initiators seeking approval of RPT shall comment/provide :</p> <p>(a) Whether the proposed Transaction is a RPT within the meaning of Section 188</p> <p>(b) <u>If yes:</u> Name/s of the Related Party(ies) and nature of relationship</p> <p>(c) Provide the justification for entering into the RPT (Commercial / Ordinary Course of Business and Arm's Length)</p>

(3)	Preliminary Assessment of RPTs	<p>(a) If in the opinion of any of the members of Management Committee the intended transaction is either not an Exempt RPT or does not meet the criteria specified in RPT Framework, such transaction will be referred back to the Initiator seeking additional information / justification</p> <p>(b) Management Committee shall review each transaction initiated by the Initiators, including re-submissions and if the members of Management Committee are unanimous in their view that proposed RPT is an Exempt RPT and meets the criteria specified in the RPT Framework, they may approve the same.</p> <p>(c) If in the unanimous opinion of the members of Management Committee, the intended transaction is not an Exempt RPT, such transaction shall be referred to the Audit Committee for review</p> <p>(d) If the members of Management Committee are unable to come to a unanimous consensus, then the members of Management Committee shall refer the proposed RPT for approval of Audit Committee, Board of Directors or Shareholders as the case may be</p> <p>(e) The Initiator, and Management Committee shall be required to respond to RPT approval requests within an agreed time frame to be specified by the Audit Committee from time to time</p>
(4)	Approval of the RPTs not covered by the RPT Framework	The Management Committee shall not approve transactions that are not covered by the RPT Policy and RPT Framework. Such transactions will be referred to Audit Committee

XIII Procedure for Approval of the Non Exempt RPT:

- (1) The Management Committee will refer all non-exempt RPT to the Audit Committee for review and further action as deemed appropriate

- (2) The Audit Committee will review and assess the Non Exempt RPT and if the RPT is found to qualify as an Exempt RPT, approve the same or otherwise recommend to the Board of Directors for its review and decision.

XIIV Ratification of the RPT :

- (1) In exceptional circumstances, RPTs that may have been entered into without the appropriate approval of the Competent Authority, may be ratified by respective Competent Authority within three months from the date of the execution of such RPT.
- (2) If such RPTs are not ratified by the Competent Authority, such transaction may be *voidable* at the option of the Company

XV Reporting and Review:

(1) Quarterly Reporting:

At each quarterly Meeting of the Audit Committee, the Managing Director, or the CEO or the Whole-time Director or the Manager, or the CFO or the CS shall provide a Report summarizing all RPTs, for the immediately preceding fiscal Quarter of the Company including all RPTs (exempt/non-exempt) approved by the Competent Authority in accordance with the RPT Policy and the RPT Framework

(2) Review of RPT Policy and Framework:

The Audit Committee and Board may from time to time review the RPT Policy and / or the RPT Framework as it may deem fit subject to the applicable provisions of the Act, wherever applicable

(3) RPT Audits :

The Internal Auditor shall review all RPTs entered into by the Company for consistency with RPT Policy and RPT Framework of the Company and amendments thereto

XV Competent Authority for disciplinary action:

The Audit Committee of the Company, subject to supervision of the Board, shall be the Competent Authority for investigating and taking appropriate disciplinary action for any

breach and / or defaults in complying with this Policy. Such disciplinary action shall be in addition to the penal provisions of the Act

XVI Compliance with the RPT Policy :

- (1) Every person associated with RPT shall be accountable for complying with this RPT Policy and RPT Framework
- (2) Director or KMP or any other employee, who had entered into or authorised the contract or arrangement in violation of the RPT Policy and RPT Framework shall be guilty of non-compliance
- (3) In case of breach of this Policy; Audit Committee and/or Board of Directors may initiate appropriate action against the person/s responsible
- (4) A person shall not be eligible for appointment as a Director of a Company if he has been convicted of the offence under Section 188 of the Act in respect of RPT at any time during the preceding five years

XVII Disclosure of the RPTs :

RPTs and prescribed details thereof will be disclosed in the Directors' Report in accordance with the provisions of the Act and Rules framed thereunder.

XVIII Governing Law and Amendments:

The RPT Policy along with RPT Framework will be governed by the relevant provisions of the Act and Rules framed thereunder and amendments thereto from time to time. This RPT Policy and the RPT Framework may be reviewed and/or amended at any time and/or subject to the revisions on the applicable laws, regulations and amendment thereto from time to time and/or the actions taken by the Audit Committee or the Board of Directors of the Company

Statutory provisions governing RPTs of the Company

Related Parties pursuant to Section 2(76) of the Act

Related party with reference to a Company means:

- (i) a Director or his Relative
- (ii) a Key Managerial Personnel or his Relative
- (iii) a Firm, in which a Director, Manager or his Relative is a Partner;
- (iv) a Private Company in which a Director or Manager or Relative is a member or a Director;
- (v) a Public Company in which a Director or Manager is a Director; and holds along with his relatives more than two per cent of its paid up share capital
- (vi) Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with the advice, directions or instructions of a Director or Manager;
- (vii) any person on whose advice, directions or instructions a Director or Manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- (viii) any company which is—
 - a Holding, Subsidiary or an Associate Company of such Company; or
 - a Subsidiary of a Holding Company to which it is also a Subsidiary;
- (ix) such other person as may be prescribed . Rule 3 of the Companies (Specification of Definition Details) Rules, 2014 provides that a director or a KMP of the holding company or his relative with reference to a company shall be deemed to be a related party.

Statutory Provisions governing RPTs of the Company

Relatives pursuant to Section 2(77) of the Act

Section 2(77) of the Companies Act, 2013 defines relative as “any one is related to another if

- (a) They are members of a Hindu Undivided Family
 - (b) They are husband and wife or
 - (c) One person is related to the other in such manner as may be prescribed.
- (1) Rule 4 of the Companies (Specification of Definition Details) Rule, 2014 provides a person shall be deemed to be the relative of another, if he or she is related to another in the following manner:
- (a) Father:
Provided that the term “Father” includes step-father
 - (b) Mother:
Provided that the term “Mother” includes the step-mother
 - (c) Son:
Provided that the term “Son” includes the step-son
 - (a) Son’s wife
 - (b) Daughter
 - (c) Daughter’s husband
 - (d) Brother:
Provided that the term “Brother” includes the step-brother;
 - (e) Sister:
Provided that the term “Sister” includes the step-sister.

The relevant accounting standards that is applicable to the company is Indian Accounting Standards (IndAS) 24, as per which a person or entity that is related to the entity that is preparing its Financial Statements(in this Standard referred to as the 'reporting entity' would be:

(a) A person or close member of that person's family is related to a reporting entity if that person :

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity ; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity

(b) An entity is related to a reporting entity if any of the following condition applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parents, subsidiary and fellow subsidiary is related to the others)
- (ii) One entity is an associate or Joint venture of the other entity(or an associate or joint venture of a member of a group of which the other entity is a member)
- (iii) Both entities are Joint ventures of the same third party.
- (iv) One entity is a Joint Venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post - employment benefit plan of the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity .
- (vi) The entity is controlled or jointly controlled a person identified in (a)
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)

Annexure II

Permitted Related Party Transactions by the Company

(1)	Sale, purchase or supply of any goods or materials
(2)	Selling or otherwise disposing of, or buying, property of any kind
(3)	Leasing of property of any kind
(4)	Availing or rendering of any services
(5)	Appointment of any agents for purchase or sale of goods, materials, services or property
(6)	Related party's appointment to any office or place of profit in the company, its subsidiary company or associate company
(7)	Underwriting the subscription of any securities or derivatives of the Company
(8)	Transactions with the Directors and persons connected with them for consideration other than cash
(9)	Such other transactions as may be prescribed by the Act or Rules issued thereunder from time to time
(10)	A related party transaction is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.