

POLICY ON

MATERIALITY OF RELATED PARTY TRANSACTIONS

AND

DEALING WITH RELATED PARTY TRANSACTIONS

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INTRODUCTION

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders.

Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 ("the Act") read with the Rules framed there under and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") as amended from time to time, Hindustan Oil Exploration Company Limited ("the Company") has formulated the Policy on materiality of Related Party Transactions and dealing with Related Party Transactions ("the Policy").

This Policy regulates all transactions between the Company and/or its subsidiaries and their Related Parties.

This Policy is amended as per the recommendations of the Audit Committee and adopted under the approvals of the Board vide their meeting dated August 12, 2022.

DEFINITIONS

All the words and expressions used in this Policy, unless defined hereinafter, shall have the meaning assigned to such term in the Act and the Rules made thereunder and the SEBI Listing Regulations, as amended from time to time.

- i. "**The Act**" means the Companies Act, 2013, together with the rules notified thereunder including any statutory modifications or re-enactments thereof for the time being in force.
- ii. "**SEBI Listing Regulations**" means Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended.
- iii. "**Company**" means Hindustan Oil Exploration Company Limited.
- iv. "**Related Party**" means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 and also as under Regulation 2(1)(ZB) of the SEBI Listing Regulations, 2015.
- v. "**Related Party Transaction**" means a related party transaction as defined under section 188 of the Companies Act, 2013 and under Regulation 2(1)(ZC) of SEBI Listing Regulations, 2015 and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.
- vi. "**Material Related Party Transaction**" means a transaction with a Related Party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or if the transaction exceeds Rupees One Thousand crores, whichever is lower.

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, exceeds five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the listed entity.

- vii. **“Material Modification”** to a related party transaction means any modification to the existing related party transaction which is likely to lead to a revision of above 10% of the existing price commitment of the transaction, and shall also include any revision to the tenure, obligations and other material terms and conditions of the existing transaction with related parties.

Provided, any modification to a related party transaction on account of statutory obligations, as amended from time to time, shall not be deemed to be construed as Material Modification.

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

- ix. **“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.

REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION

Audit Committee:

All the transactions which are identified as Related Party Transactions should be pre-approved only by the Independent Directors of the Audit Committee before entering into such transaction. The Audit Committee shall consider all relevant factors while deliberating the Related Party Transactions for its approval.

The Audit Committee may grant omnibus approval for Related Party Transactions which are repetitive in nature and subject to such criteria/conditions as mentioned under Regulation 23(3) of the SEBI Listing Regulations, 2015 (as amended from time to time) and such other conditions as it may consider necessary. Policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

In summation of the above facts, prior approval of the audit committee shall be required in the below instances:

- a. All transactions entered by the Company with its related parties.
- b. All material modifications to the existing related party transactions.
- c. Related party transactions entered by the subsidiaries of the Company, where the value of such transactions exceeds 10% of the annual consolidated turnover as per the latest financial statement of the Company.
- d. With effect from April 01, 2023, all related party transactions entered by the subsidiaries of the Company, where the value of such transactions exceeds 10% of the standalone turnover as per the latest financial statement of the subsidiaries.
- e. Transaction of the Company and/or its subsidiaries with unrelated parties, the purpose and effect of which is to benefit the related parties of the Company or any of its subsidiaries.

The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to the omnibus approval. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy; subject to the adherence to the Law governing such transactions.

A Related Party Transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for ratification.

A Related Party Transaction which is (i) Material related party Transaction (ii) not in the ordinary course of business, or (iii) not at arm's length price, would require approval of the Board or of shareholders as discussed subsequently.

Board of Directors:

In case any Related Party Transactions or its subsequent material modification are referred by the Company 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, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction.

On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances.

Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

Shareholders:

Related Party Transaction as defined under section 188 of the Companies Act, 2013 and Regulation 23 of Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 and subsequent material modification of such transactions, which require shareholders' approval shall be made by way of passing an ordinary resolution.

In such a case, any member of the Company who is a Related Party, irrespective of whether being a party to the subject transaction or not, shall not vote on resolution to be passed for approving such Related Party Transaction.

However, the below transactions are exempted from obtaining the approvals of the shareholders of the Company: -

(i). Transactions entered 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, are exempted from.

(ii). Transactions entered 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.

REPORTING AND DISCLOSURES

The Company shall:

- a) disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or not at arm's length basis along with the justification for entering into such transaction.

- b) disclose on a quarterly basis, details of all material transactions with related parties along with the compliance report on corporate governance filed with the stock exchanges under SEBI Listing Regulations.
- c) Disclose details of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results, to the stock exchanges as prescribed under Regulation 23(9) of the SEBI Listing Regulations 2015 and publish the same on its website.
- d) The Company shall disclose this policy relating to Related Party Transactions on its website and a web link shall be provided in the Annual Report.

POLICY SEVERABILITY

This policy is framed based on the provisions of the Companies Act, 2013, and rules thereunder and the requirements of the SEBI LODR. In the event that any term, condition or provision of this policy being held to be a violation of any applicable law, statute or regulation, the same shall be severable from the rest of this Policy and shall be of no force and effect, and this Policy shall remain in full force and effect as if such term, condition or provision had not originally been contained in this Policy.

POLICY REVIEW

The Board of Directors of the Company on recommendation of the Audit Committee of the Company shall review the Policy at least once in three years and may amend the same from time to time.

Any subsequent amendment / modification in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and / or applicable laws in this regard shall automatically apply to this Policy under the review and approvals of the Board.
