POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING WITH RELATED PARTY TRANSACTIONS

1. Title

This policy shall be called the ‘Policy on materiality of related party transactions and dealing with related party transactions’ (“**Policy**”).

2. Commencement

The Policy shall come into force with effect from April 08, 2025.

3. Objective

I. Related party transactions have been one of the major areas of focus for corporate governance reforms being initiated in India. The changes introduced in the corporate governance norms through Section 188 of the Companies Act, 2013, as amended and the rules framed thereunder (“**Companies Act**”) and Regulation 23 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended (“**SEBI LODR Regulations**”) require the companies to have enhanced transparency and due process for approval of the related party transactions. Pursuant thereto, Section 188 of the Companies Act and Regulation 23 of the SEBI LODR Regulations require the Company to formulate a policy on materiality of related party transactions and also on dealing with related party transactions including clear threshold limits duly approved by the Board.

II. Accordingly, the Board of Directors (“**Board**”) of the Company have adopted the following policy with regard to related party transactions. The Audit Committee of the Company will review this policy on an annual basis and propose any modifications to the Board for approval.

4. Definitions

i. “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.

ii. “**Audit Committee**” means the audit committee constituted by the Board of Directors of the company under SEBI (LODR) Regulations, 2015 and Companies Act, 2013 and amendment made therein from time to time**.**

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

iv. “**Company**” means .Haryana City Gas Distribution (Bhiwadi) Limited.

v. “**Key Managerial Personnel**” or “KMPs**”** means Key Managerial Personnel as defined in section 2(51) of the Companies Act,2013, which includes:

(i) Managing Director, or Chief Executive Officer or Manager;

(ii) the Whole Time Director;

(iii) Company Secretary;

(iv) Chief Financial Officer;

(v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and

(vi) such other officer as may be prescribed.

vi. “**Material Related Party Transaction**” as set out in **Schedule I.**

vii. “**Ordinary Course of Business**” with reference to a transaction with a related party means a transaction which is:

(i) carried out in the normal course of business envisaged in accordance with the Memorandum of Association of the Company as amended from time to time;

(ii) historical practice with a pattern of frequency;

(iii) common commercial practice; or

(iv) meets any other parameters/criteria as decided by the Board/Audit Committee, from time to time.

viii. “**Policy**” means this policy, as amended from time to time.

ix. “**Related Party**” in relation to the Company means a party related with the Company in any of the ways as laid down in Section 2(76) of the Companies Act,2013 or under applicable accounting standards which is as follows

(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 his relative is a member or 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 body corporate which is—

(A) a holding, subsidiary or an associate company of such company;

(B) a subsidiary of a holding company to which it is also a subsidiary; or

(C) an investing company or the venturer of a company;

Explanation.—For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

(ix) any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.]

(x) such other person as may be prescribed.

“**Related Party as per Accounting Standard 18** means a person or entity that is related to the reporting entity that is an entity that prepares financial statements. A person or close family member is related to reporting entity if that individual

Has control or joint control over the reporting entity.

Has significant influence over the reporting entity

Is a member of the key personnel of the reporting entity or of the parent of the reporting entity

A **Close member** of the family includes person’s children, spouse or domestic partner, brother, sister, father and mother, children of that person’s spouse or domestic partner and dependants of that person’s or person’s spouse or domestic partner. An entity is related to a reporting entity if the following conditions are met:

Both the reporting entity and the entity belonging to the same group.

An associate or joint venture of the other entity or of the same third party.

The entity is a post-employment benefit plan for the reporting entity or any entity related to the reporting entity.

The entity is controlled or jointly controlled by the person mentioned above or the person mentioned has significant influence over the entity.

The entity or any member of the group provides key management personnel service to the reporting entity or parent of reporting entity.

“Material Related Party Transaction” means a transaction to be entered into with a Related Party, individually or taken together with previous transactions during a financial year, exceeding the following thresholds:

a. In case of transactions involving payments made with respect to brand usage or royalty, if it exceeds 5% of the annual consolidated turnover of the Company as per its last audited financial statements

b. In case of any other transaction(s), if the amount exceeds 10% (ten percent) of the annual consolidated turnover of the Company as per its last audited financial statements

x. "**Related Party Transaction**" means a transfer of resources, services or obligations between a Company and a related party, 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 and includes transactions as defined as a "related party transaction" under the relevant provisions of the Companies Act or the SEBI (LODR) Regulations,2015 or any other related law, regulation, standard.

xi. "**Relative**" means any person, means anyone who is related to another in the following manner,

(i) They are members of a Hindu Undivided Family; or

(ii) They are husband and wife; or

(iii) Father, including step-father

(iv) Mother, including step-mother

(v) Son, including step-son

(vi) Son's wife

(vii) Daughter

(viii) Daughter's husband

(ix) Brother, including step-brother

(x) Sister, including step-sister

5. Interpretation

I. Any words used in this Policy but not defined herein shall have the same meaning prescribed to it in the Companies Act, the Securities and Exchange Board of India Act, 1992, as amended, or rules and regulations made thereunder including the SEBI (LODR) Regulations,2015 the applicable accounting standards or any other relevant legislation/law applicable to the Company.

II. The reference to the masculine gender in the Policy shall be deemed to include a reference to feminine gender.

III. In case of any dispute or difference upon the meaning/interpretation of any word or provision in this policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee shall be final. In interpreting such term/provision, the Audit Committee may seek the help of any of the officers of the Company or an external expert as it deems fit.

6. Procedure

(i) Disclosure by Directors

Every director shall at the beginning of the financial year provide information by way of written notice to the Company regarding his concern or interest in the entities where he is a director or a member which may be considered as Related Party with respect to the Company and shall also provide the list of Relatives which are regarded as Related Party as per this Policy.

Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this Policy.

Every Director will be responsible for providing a declaration containing the following information to the Company on an annual basis and whenever there is a change in the information provided:

1. Names of his / her Relatives;
2. Partnership firms in which he / she or his / her Relative is a partner;
3. Private Companies in which he / she or his / her Relative is a member or a Director;
4. Public Companies in which he/she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions (other than advice, directions or instructions obtained in professional capacity); and
6. Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Every Key Managerial Personnel of the Company ("KMP") will be responsible for providing a declaration containing the following information to the Company Secretary on an annual basis and whenever there is a change in the information provided:

1. Names of his / her Relatives;

2. Partnership firms in which he / she or his / her Relative is a partner;

(ii) Identification of Transaction with Related Parties

Each director and Key Managerial Personnel is responsible for providing notice to the Company or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Audit Committee will determine whether a transaction does constitute a Related Party Transaction requiring compliance with this Policy.

Each director and Key Managerial Personnel shall make an annual declaration as per the provisions of the Companies Act and the rules framed thereof with respect to Related Party transactions to the Company in the last month ending before the financial year and this declaration shall be placed before the Audit Committee and the Board at their first meeting held at the succeeding financial year.

Any change in the list of Relatives shall be intimated by the Directors and KMPs by way of a fresh declaration to the Company.

7. Approval of Related Party Transactions

(i) Audit Committee

All Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation or any other manner as provided by the Act or Rules made thereunder

Related party transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Audit Committee or the Board who has potential interest in any Related Party Transaction will in terms of Rule 15(2) of the Companies (Meeting of Board and its Powers) Rules, 2014 shall not be present at the meeting during the discussions on the subject matter and shall recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

All the transactions which are identified as Related Party Transactions should be pre-approved by the Audit Committee before entering into such transaction.

The Audit Committee shall consider the following factors while deliberating the related party transactions for its approval:

I. Name of party and details explaining nature of relationship;
II. Duration of the contract and particulars of the contract and arrangement;
III. Nature of transaction and material terms thereof including the value, if any;
IV. Manner of determining the pricing to ascertain whether the same is on arm's length;
V. Business rationale for entering into such transaction; and
VI. Any other information relevant or important for the Board to take a decision on the proposed transaction

In determining whether to approve a Related Party Transaction, the Audit Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

I. Whether the terms of the Related Party Transaction 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;
II. Whether there are any compelling business reasons / rationale for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
III. Whether the Related Party Transaction would affect the independence of an independent director;
IV. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;

V. Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and

VI. Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Executive Officer or other Related Party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company which are repetitive in nature and which are routine and incidental to the general operations of the Company, subject to such criteria/conditions as it may deem fit, further taking into account the justification for needing an omnibus approval. Such approval shall be valid for a period not exceeding one year and shall specify the following:

i. Such omnibus approval shall specify:

a) The name/s of the related party;
b) Nature of transaction,
c) Period of transaction;
d) Maximum amount of transaction that can be entered into,
e) the indicative base price / current contracted price and the formula for variation in the price if any and
f) Such other 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, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

ii. Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given; and

(ii) Board of Directors

Following transactions shall require a prior approval of the Board:

I. Related Party Transactions which are not in the ordinary course of business or not at arm's length price; and
II. Material Related Party Transactions.

Where any director is interested in any contract or arrangement with a Related Party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

(iii) Shareholder approval

All Material Related Party Transactions shall require approval of the Shareholders of the Company by way of a resolution passed at the general meeting of the Company; and no related party shall vote to approve such resolutions whether the entity is a party to the particular transaction or not.

I. Allelated party transaction not in the ordinary course of business, or not at arm’s length price and exceeds the thresholds as prescribed under Section 188 of the Companies Act as listed in Schedule I, shall require approval of the shareholders by way of a resolution. and in such cases the Related Parties to the transaction shall abstain from voting on such resolution..

8. Process for Dealing with Related Party Transactions

I. A list of all the related parties in relation to the Company received from the Directors and Key Managerial Personnel shall be updated from time to time.
II. Basis the above mentioned list of related parties, every department shall, prior to entering in to any contract or arrangement with a related party, ascertain whether the proposed contract or arrangement satisfies the approval mechanism prescribed under this Policy.
III. The contract/arrangement shall not be entered in to without the necessary approval from the Audit Committee/Board/shareholders, as the case may be. Compliance to this condition will strictly be adhered to by the concerned department proposing the underlying contractor arrangement.

9. Reporting of Related Party Transactions

i. Every contract or arrangement, which is required to be approved by the Board / shareholders under this Policy, shall be referred to in the Board’s report to the shareholders along with the justification for entering into such contract or arrangement.

ii. The details of material transactions with related parties will be included in the corporate governance reports which are required to be submitted to the stock exchanges on a quarterly basis.

iii. The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report of the Company.

iv. The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

10. Amendments

Any change in the Policy shall be approved by the Board of the Company. The Board shall have the right to withdraw and/or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. The Policy shall be reviewed by the Board at least once every three years and updated accordingly. Any subsequent amendment/modification in the Act or the

SEBI(LODR), Regulations,2015 and/or any other laws in this regard shall automatically apply to this Policy.

11. Communication of this Policy

This Policy shall be posted on the website of the Company at ……………………...

SCHEDULE I

RELATED PARTY TRANSACTION AS REFERRED TO 7(iii)

Specified Related Party Transaction(s) u/s 188(1) of the Companies Act, 2013

S No.	Approval of the Members	Materiality Threshold
a)	sale, purchase or supply of any goods or materials directly or through appointment of agent,	amounting to 10% or more of the turnover of the Company.
b)	selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agent,	amounting to 10% of net worth of the Company.
c)	leasing of property of any kind	amounting to 10% or more of turnover of the Company.
d)	availing or rendering of any services directly or through appointment of agent,	amounting to 10% of the turnover of the company.
e)	such Related Party's appointment to any office or place of profit in the Company, its subsidiary company or associate company	At a monthly remuneration exceeding Rs. 2.5 lakhs.
f)	underwriting the subscription of any securities or derivatives thereof, of the Company	Exceeding 1% of the net worth.

Explanation(s):

Limits specified in clauses a) to d) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a Financial Year.

Turnover or net worth shall be computed on the basis of the audited Financial Statement of the preceding Financial Year.

Notwithstanding the above materiality threshold, transactions with related party shall be considered material where the transaction/transactions 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.

Notwithstanding the above materiality threshold, 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 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.