



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.

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 and material modifications 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.

Provided that the said approval is not required for:

- the related party transactions entered by the subsidiaries of the Company, but the listed entity is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year does not exceeds 10% of the annual standalone turnover as per the latest financial statement of the subsidiary.
- [the remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, provided that the same is not material related party transaction(s).

Omnibus 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.

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

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.

Ratification

A Related Party Transaction which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, may be ratified by the Independent Directors of the Audit Committee within 3 months or next Audit Committee meeting whichever is earlier subject to following conditions.

- a) the value of the ratified transaction(s) with a related party, whether entered individually or taken together, during a financial year shall not exceed rupees one crore.
- b) the transaction is not material related party transaction(s).
- c) rationale for inability to seek prior approval for the transaction has been placed before the audit committee at the time of seeking ratification.
- d) The details of ratification shall be disclosed along with the disclosure of related party transactions in terms of SEBI Listing Regulations.
- e) any other condition(s) as specified by the Audit Committee.

Failure to seek ratification of the Audit Committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.]

Board of Directors:

In case any Related Party Transactions or its subsequent material modification are referred by the Committee 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. In case the member is related party, member shall not present in the meeting.

Shareholders:

Related Party Transaction as defined under section 188 of the Act and Regulation 23 of SEBI Listing Regulations and subsequent material modification of such transactions, which require prior approval of the shareholders shall be made by way of passing an ordinary resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular related party transaction or not.

Exceptions to any of the approval of related party transactions:

- (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 along with the justification for entering into such transactions.
- b) disclose details of related party transactions every six months on the date of publication of standalone and consolidated financial results of the Company, in the format specified by the SEBI from time to time, to the stock exchanges and publish the same on its website.
- c) 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.
