

POLICY ON RELATED PARTY TRANSACTIONS

Introduction & Purpose

The Board of Directors of Hariyana Ship Breakers Limited ("the Company"), on recommendation of the Audit Committee, has adopted this policy to:

- a) regulate transactions of the Company with its related parties (as defined and identified under the Companies Act, 2013 (the "Act") and the Listing Regulations);
- b) ensure high standards of Corporate Governance while dealing with related parties; and
- c) ensure optimum compliance with various applicable laws prescribed for related party transactions ("RPT").

Definition

a) **Related Party Transaction (RPT):** 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. A transaction with a related party shall be construed to include single transaction or a group of transactions in a contract.

b) **Materiality:** The materiality of any RPT will be ascertained as per the thresholds prescribed under the Act or the Listing Regulations, whichever is lower.

c) **Arm's Length Basis:** Terms will be treated as on 'Arm's Length Basis' if the commercial and key terms are comparable and are not materially different with similar transactions with non-related parties considering all the aspects of the transactions such as quality, realizations, other terms of the contract, etc. In case of contracts with related parties for specified period / quantity / services, it is possible that the terms of one off comparable transaction with an unrelated party are at variance, during the validity of contract with related party. In case the Company is not doing similar transactions with any other non-related party, terms for similar transactions between other non-related parties of similar standing can be considered to establish 'arm's length basis'. Other methods prescribed for this purpose under any law can also be considered for establishing this principle.

d) **Ordinary Course of Business:** Transactions with related parties will be considered in ordinary course if they are entered in pursuance of the business objective of the Company and necessary for Company's operations or related financial activities, including the fixed assets transactions.

Policy

- a) The RPTs should be in conformity with the prevailing rules and regulations prescribed by law.
- b) All RPTs shall be placed before Audit Committee for prior approval of the Audit Committee, as required under the provisions of the Act and the Listing Regulations.
- c) The Audit Committee may grant omnibus approval for RPTs which are repetitive in nature, provided that such approval shall remain valid for period not exceeding one year, during which

period the commercial terms of approved RPTs may change, provided that arm's length criterion shall be ensured at the time of each such change. Further, where the need for RPTs cannot be foreseen and requisite details are not available, the Audit Committee may grant omnibus approval for such transactions *provided that* value of each such transaction shall not exceed Rs. 1 crore.

d) The RPTs should be in the interests of the Company and its terms should be based on commercial prudence/generally accepted commercial practices.

e) Subject to sub clause (f) below, any RPT which is not in the ordinary course of business of the Company or not at arm's length shall be effected only with prior approval of the Board of Directors of the Company, on recommendation of Audit Committee.

f) The RPTs which cross the Materiality thresholds shall be entered by the Company only with prior approval of shareholders of the Company through special resolution, as per applicable provisions of the Act and the Listing Regulations, as may be amended from time to time.

g) Subject to the applicable laws, the Audit Committee shall have the power to ratify, revise or terminate the RPTs, which are not in accordance with this Policy.

h) Exclusions: The following shall not be deemed as a RPT:

i) Any transaction that involves the providing of compensation to a director by way of salary, fee, commission, perquisites, rent free accommodation or otherwise, in connection with his or her duties to the Company or any of its subsidiary or associates;

ii) Contributions made by the Company to a charitable organization, trust, foundation or university at which a related party is a trustee, director or employee other than key managerial personnel (or comparable position), provided that each such contribution, made in a particular financial year, does not exceed two per-cent (2%) of the Company's average net profit for the preceding three financial years;

iii) Any transaction in which the related party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the related party.

Administrative Measures

The Company's management shall institute appropriate administrative measures to ensure that all RPTs entered into by the Company are in compliance with applicable laws and this Policy. All persons dealing with the related party(ies) shall, irrespective of their level, be responsible for compliance with this Policy. All Unit Heads and Finance & Commercial Heads shall certify compliance with this Policy, on a quarterly basis, to the Audit Committee. The detailed processes relating to implementation of this Policy, as may be approved by the Audit Committee from time to time, shall be followed by all concerned. The Internal Auditors of the Company shall review the RPTs entered into by the Company on a periodic basis and report their observations to the Audit Committee. It is the duty of all employees of the Company to ensure that they do not deal with related parties under any kind of influence or coercion. The cases involving any unwarranted pressure should be promptly reported as per mechanism provided under the Whistle Blower Policy of the Company.

Interpretation

In any circumstance where the provisions of this Policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the relevant law, rule, regulation or standard will take precedence over this Policy until such time as this Policy is changed to conform to the said law, rule, regulation or standard.

Further, the Board reserves its right to amend or modify this policy in whole or in part. However, no such amendment or modification shall be inconsistent with the applicable provisions of the Act, Listing Regulations or any other law for the time being in force.

Disclosure

The Policy is available on the website of the Company and a web link thereto shall be provided in the Company's Annual Report.