

HILLTONE SOFTWARE AND GASES LTD

RELATED PARTY TRANSACTIONS POLICY

INTRODUCTION:-

The Board of Directors (the “Board”) of Hilltone Software and Gases Ltd (the “Company” or the “HSGL”), has adopted the following policy and procedures with regard to dealing with Related Party Transactions and Materiality of Related Party Transactions as defined below. The Audit Committee will review this policy from time to time and recommend amendments for the consideration of the Board.

This policy will regulate transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company and also provides for materiality of related party transactions.

SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015 (the “Regulation”) requires a Company to formulate a policy on materiality of related party transactions and dealing with related party transactions. In light of the same, HSGL has framed this Policy on Related Party Transactions (“Policy”) and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions (“Policy”) in compliance with the requirements of Section 188 of the Companies Act, 2013 and SEBI(Listing Obligations And Disclosure Requirements) Regulations, 2015 with the Stock Exchanges in India. Amendments, from time to time, to the Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee.

The Company is committed to monitoring and managing potential conflicts of interest of management, Board members and shareholders, including misuse of corporate assets and abuse in related party transactions.

OBJECTIVE:-

To set out the materiality thresholds for related party transactions and the manner of dealing with the transactions between the Company and its related parties based on the Act, the Regulation and any other laws and regulations as applicable to the Company.

DEFINITIONS:-

“**Act**” means the Companies Act, 2013 including any amendment or modification or statutory re-enactment thereof.

“**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.

Material Related Party Transaction: “Material Related Party Transaction” will have the same meaning as defined in Act and Regulation.

Related Party Transaction:

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. Following transactions are identified for the purpose of compliance with regard to related party:

- Sale, purchase or supply of any goods or materials;
- Selling or otherwise disposing of, or buying, property of any kind;
- Leasing of property of any kind;
- Availing or rendering of any services;
- Appointment of any agent for purchase or sale of goods, materials, services or property;
- Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- Underwriting the subscription of any securities or derivatives thereof of the Company.

“Related Party” means an entity that is related to the Company as per (i) Section 2(76) of the Companies Act, 2013; and/or (ii) Regulation 2(zb) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

“Relative” means relative as defined under the Companies Act, 2013 from time to time. Any other term not defined herein shall have the same meaning as defined in the Act, Listing Regulations, 2015, or any other applicable law or regulation.

POLICY:-

All Related Party Transactions must be reported to the Audit Committee for its approval in accordance with this Policy. However, the Audit Committee may in accordance with the provisions of law may grant omnibus approval for any related party transaction as it deems fit. Such delegation by Audit Committee shall comply with the following:

- The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered

into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit;

- Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

IDENTIFICATION OF RELATED PARTY TRANSACTIONS:-

All Related Party Transactions must be brought to the notice of the Audit Committee of the Company.

Any employee of the Company who is aware of any transaction that is or may be perceived to be a Related Party Transaction is required to bring the same to the attention of the Audit Committee of the Company through Company Secretary.

All Directors and Key Managerial Personnel (KMPs) are responsible for informing the Company of their interest (including interest of their Relatives) in other companies, firms or concerns at the beginning of every financial year and any change in such interest during the year. In addition, all Directors and KMPs are responsible for providing notice to the Company Secretary of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Audit Committee may request. The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction is in the ordinary course of business and on an arm's length basis.

Such notice of any potential Related Party Transaction should be given well in advance so that the Company Secretary has adequate time to obtain and review information about the proposed transaction and to refer it to the Audit Committee.

REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS:-

Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by circular resolution or any other manner as provided by the Act or Rules made thereunder. Any member of the Audit Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Audit Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

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

- Whether the terms of the Related Party Transaction are fair, in the Ordinary Course of Business and on Arm's Length Basis to the Company;
- Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- Whether the Related Party Transaction would affect the independence of the directors/KMP;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction.
- Whether the Related Party transaction would present 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.

If the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Notwithstanding the foregoing, the Related Party Transactions between the 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, shall not require approval of Audit Committee or Shareholders.

RATIFICATION OF THE RELATED PARTY TRANSACTIONS:-

Where any contract or arrangement, which is considered as a related party transaction exclusively as per Companies Act, 2013, is entered into by a Director or any other employee, without obtaining the consent of Audit Committee or the Board or the shareholders of the Company, such transaction shall be ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into.

RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED:-

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Audit Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Audit Committee or the Board or the Shareholders shall consider all relevant facts and circumstances regarding such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Audit Committee deems appropriate under the circumstances.

REPORTING:-

The Company is committed to disclose the details of all material transactions with related parties quarterly along with the compliance report on corporate governance.

AMENDMENT:-

Any subsequent amendment/ modification in the Listing Regulations and/or applicable laws in this regard shall automatically apply to this Policy.