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RELATED PARTY TRANSACTIONS POLICY

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Version approved by: The Board of Honeywell Automation India Limited

Version 1 approved on: October 1, 2014

Version: 2: approved on: February 4, 2019

1. Introduction

- 1.1 The Companies Act, 2013 ("Act") and Securities and Exchange Board of India ("SEBI") have significantly revised the regulations governing related party transactions entered into by Indian companies. The Act defines related parties and related party transactions and prescribes certain approval requirements with respect to such transactions.
- 1.2 The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR") also requires a listed company to adopt a policy setting out the manner in which the company will deal with related party transactions as well as the materiality thresholds applicable to such transactions.
- 1.3 In view of the above and to consolidate the procedural requirements under the Act and SEBI LODR, Honeywell Automation India Limited ("Company") has developed this related party transaction policy ("Policy"). This Policy has been approved by the Audit Committee of the Company.

2. Objectives

- 2.1 The Board recognizes that related party transactions need to be reviewed as per the provisions of the Act and SEBI LODR. The Board has adopted this Policy to set forth the procedures under which transactions with related parties shall be reviewed for approval or ratification in accordance with the procedures set forth below:
- 2.1.1 This Policy also aims to comply with the applicable law.
- 2.1.2 No related party transactions may be entered into by the Company, except in accordance with the provisions of this Policy and applicable law.

3. Definition

- 3.1 "Related Party" is a person or entity that is related to the company as is defined under applicable law from time to time. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:-
- i a director of the Company (hereinafter referred to as director) or of the holding company of the Company (hereinafter referred to as director of holding company) or his relative
 - ii a key managerial personnel of the Company (hereinafter referred to as KMP) or of holding company of the Company (hereinafter referred to as KMP of the holding company) or his/her 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 2% 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; or
- b. a subsidiary of a holding company to which it is also a subsidiary
- c. an investing company or the venturer of the 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 a director or key managerial person of the holding company or his relative;
- x 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

3.2 "Relative" means a person shall be deemed to be the relative of another, if he or she is related to another in any one of the following manner:-

- (1) Member of the Hindu Undivided Family
- (2) Spouse
- (3) Father (including Step-Father)
- (4) Mother (including Step-Mother)
- (5) Son (including Step-Son)
- (6) Son's wife
- (7) Daughter
- (8) Daughter's husband
- (9) Brother (including Step-Brother)
- (10) Sister (including Step-Sister)

3.3 "Key Managerial Personnel (KMP)" in relation to a company, means:

- (1) the Chief Executive Officer or the managing director or the manager;
- (2) the company secretary;
- (3) the whole-time director;
- (4) the Chief Financial Officer; and
- (5) 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

3.4 "Associate Company" in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

*Explanation-*For the purposes of this clause, "significant influence" means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement

"joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement

3.5 "Related Party Transaction" means any transaction involving transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

Explanation: A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

3.6 "Material Related Party Transaction" means any transaction / transactions to be entered into individually or taken together with previous transactions during a financial year above the threshold specified in the section under Material Related Party Transactions.

4. Whether the transactions of HAIL with its Related Parties is "Ordinary Course of Business"

4.1 The transaction/activity can be treated as being in the 'ordinary course of business' (not exhaustive and cumulative - either or) in the following instances:

4.1.1 If covered in the main object / objects incidental to main object in Memorandum of Association.

4.1.2 Transactions are necessary, normal and incidental to business.

4.1.3 Transactions are reasonable in the context of business

4.1.4 Transactions are entered into on a similar basis with third parties.

4.1.5 Transactions those are infrequent but important to the central mission / objective of the business.

4.1.6 Transaction part of standard industry practice.

5. Review and Approval of Related Party Transaction

5.1 All Related Party Transactions shall require prior approval of the audit committee of the Board ("Audit Committee"). The approval of the Audit Committee can be granted by way of a circular resolution.

5.2 The members of the Audit Committee (without the participation of the interested committee member(s), if any) shall, inter-alia, consider the following factors to the extent relevant to the transaction:

(a) Consistent with the provisions of the Act and SEBI LODR;

(b) in (or not inconsistent with) the best interests of the Company and its shareholders;

(c) to be entered into by the Company (or its subsidiary or associate entity) on terms that are comparable to those that would be obtained in arm's length transactions with unrelated third parties; and

(d) in the ordinary course of the business

5.3. In the event the Related Party Transactions are not in ordinary course of business or not at arm's length, the Company shall comply with the provisions of the Companies Act, 2013 and rules framed thereunder, and obtain approval of the Board or Shareholders, as applicable._

5.4 The Audit Committee may grant omnibus approval for Related Party Transactions considering the repetitive nature of the transactions in line with the SEBI LODR.

5.5 Such omnibus approvals shall be valid for one financial year.

5.6 No member of the Audit Committee shall participate in the review, consideration or approval of any Related Party Transaction with respect to which such member or any of his or her relative is a Related Party.

5.7 If any material information with respect to such transactions shall change subsequent to the Audit Committee's review of such transactions, management shall provide the Audit Committee with updated information at a subsequent meeting and will get the changes approved afresh by the Audit Committee

5.8 In case of any interpretation issue on whether a transaction is a related party transaction and corporate governance requirements for such related party transactions, the Audit Committee/ Board shall refer the same for legal opinion.

5.9 Approval of the Board and the Shareholders:

5.9.1 Approval of the Board will be sought for Related Party Transactions if:

- i) Related Party Transactions which are not in the ordinary course of business or not at arm's length price.
- ii) Material Related Party Transactions; and
- iii) Transactions referred to it by the Audit Committee.

5.9.2 Where any director is interested in any Related Party Transaction, such director will abstain from discussion and voting on the subject matter of the resolution relating to such Transaction.

5.9.3 Further, the Board shall seek shareholders' approval for all "Material Related-Party Transactions" in accordance with applicable law. The shareholders shall approve the transactions by way of an ordinary resolution. All entities falling under the definition of "Related Parties" need not abstain from voting and can cast vote against/ not in favor of the transaction.

5.9.4 Related party which are in ordinary course of business and on arm's length basis are exempted from the requirements of obtaining board and shareholders approval under the applicable provisions of the Act.

5.9.5 The Audit Committee shall report all "Material Related-Party Transactions" (as mentioned below) to the Board. The test to determine "Material Related Party Transactions" under the Act and Listing Agreement are set out below (each of which are exclusive to the other):

Category of Transactions	Material Related Party Transactions under the Act (other than in ordinary course of business or at arms' length)	Material Related-Party Transactions under SEBI LODR
Sale, purchase or supply of any goods or materials directly or through appointment of agent	10% of turnover or Rs. 100 crore, whichever is lower	10 % of consolidated annual turnover as per last audited financial statements
Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agent	10% of net worth or Rs. 100 crore, whichever is lower	
Leasing of property of any kind;	10% of net worth or 10% of turnover or Rs. 100 crore, whichever is lower	
Availing or rendering of any services directly or through appointment of Agent	10% of turnover or Rs 50 crore, whichever is lower	
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 lakh	

Underwriting the subscription of any securities or derivatives thereof, of the Company	1% of net worth	
Payments made with respect to brand usage or Royalty		if it exceeds 2% of the annual consolidated turnover of the Company as per its last audited financial statements

5.10 The transactions of the Company with its Related Parties complies with section 188 of the Act and Regulation 23 of SEBI LODR.

6. Non-adherence with the provisions of this Policy

6.1 In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

7. Review

7.1 The threshold limits for materiality of related party transactions is detailed in Clause 5.9.5 above and the Company shall deal with materiality of related party transactions in accordance with this Policy.

7.2 This Policy will be reviewed by the Board of Directors at least once every three years and updated accordingly.

8. Disclosure

8.1 Appropriate disclosures as required under the Laws shall be made in its Annual Return, Boards' Report and at such other places and to the Stock Exchanges on which equity shares of the Company are listed and such other authority as may be prescribed under the Laws.

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