

HONEYWELL AUTOMATION INDIA LIMITED

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

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HONEYWELL AUTOMATION INDIA LIMITED**POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND
ON DEALING WITH RELATED PARTY TRANSACTIONS****1. Introduction**

- 1.1 The Companies Act, 2013 ("Act") and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") contains provisions governing approval, disclosures and reporting in relation to Related Party Transactions.
- 1.2 Regulation 23(1) of the SEBI Listing Regulations requires a listed entity to formulate a policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions including clear threshold limits, duly approved by the Board of Directors.
- 1.3 In view of the above, Honeywell Automation India Limited ("the Company") has formulated this Policy. This Policy is approved by the Board of Directors based on the recommendations of the Audit Committee of the Company.

2. Objective

- 2.1 This Policy is intended to ensure approval, disclosure and reporting of transactions between the Company and any of its related parties, in accordance with the applicable provisions of the Act and the SEBI Listing Regulations.

3. Definitions

- 3.1 "Act" shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, clarifications, circulars or re-enactment thereof.
- 3.2 "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. For determination of Arm's Length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.
- 3.3 "Material Related Party Transaction" in terms of the SEBI Listing Regulations means a transaction to be entered into with a Related Party, individually or taken together with previous transactions during a financial year:
 - (i) In case of transaction(s) involving payments made with respect to brand usage or royalty - if it exceeds 5% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company;
 - (ii) In case of any other transaction(s) - if the amount exceeds INR 1,000 Crore or 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

The Company shall also draw reference from the provisions of Section 188 of the Act, while determining Material Related Party Transaction.

- 3.4 "Material modification(s)" refers to deviation(s) of 10% or more in the value for Related Party Transactions approved by the Audit Committee/ Board / Shareholders, as the case may be.
- 3.5 "Related Party" shall have the same meaning as defined under Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI Listing Regulations.
- 3.6 "Related Party Transaction", in terms of the SEBI Listing Regulations, means a transaction involving a transfer of resources, services or obligations between:
 - (a) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
 - (b) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its

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subsidiaries, with effect from April 1, 2023;

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:

Provided that the following shall not be a Related Party Transaction:

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.
- (c) acceptance of fixed deposits (including payment of interest thereon) by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in SEBI prescribed format;
- (d) acceptance of current account deposits and saving account deposits (including payment of interest thereon) by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time;
- (e) retail purchases from any listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.

Terms hereunder and not defined above shall be construed from the definition/reference given elsewhere under the Act, the SEBI Listing Regulations, various MCA and SEBI Circulars and other applicable laws.

4. Whether the Company's transactions with its related parties is in the "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 Transactions part of standard industry practice.

5. Review and approval of Related Party Transactions

5.1 Prior Approval by the Audit Committee:

- 5.1.1 All Related Party Transactions (unless otherwise exempted under the Act/the SEBI Listing Regulations) and subsequent material modification(s) therein shall require prior approval of the Audit Committee of the Company.

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- 5.1.2 Only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions.
- 5.1.3 A related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the listed entity.
- 5.1.4 With effect from April 1, 2023, a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.
- 5.1.5 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:
- Consistent with the provisions of the Act and the SEBI Listing Regulations;
 - in (or not inconsistent with) the best interests of the Company and its shareholders;
 - 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
 - in the ordinary course of the business
- 5.1.6 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.

5.2 Omnibus Approval by the Audit Committee:

- 5.2.1 The Audit Committee may grant omnibus approval for Related Party Transactions of repetitive nature, proposed to be entered into by the Company, in line with and subject to the conditions prescribed under the Act and the SEBI Listing Regulations.
- 5.2.2 Further, where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction or such amount as permitted under the Act and the SEBI Listing Regulations.
- 5.2.3 Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of the financial year.
- 5.2.4 The Audit Committee shall review, the details of Related Party Transactions entered into by Company pursuant to each of the omnibus approvals given, at least on a quarterly basis and/or on such intervals as per the provisions of the Act/SEBI Listing Regulations, as amended from time to time.
- 5.2.5 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.
- 5.2.6 Omnibus approval shall not be made for transactions in respect of selling or disposing-off the undertaking of the Company.

5.3 Ratification by the Audit Committee:

- 5.4.1. The members of the Audit Committee, who are Independent Directors, may ratify Related Party Transactions within three months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, subject to applicable provisions/conditions prescribed under the Act and the SEBI Listing Regulations.

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- 5.3.1 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 Company against any loss incurred by it.

5.4 Approval by the Board of Directors

- 5.4.1 Approval by the Board of Directors of the Company shall 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.

- 5.4.2 Where any director or related party is interested in any Related Party Transaction, such director or related party shall abstain from discussion and voting on the subject matter of the resolution relating to such transaction.

- 5.5 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 may refer the same for legal opinion/consultation.

5.6 Prior Approval by the Shareholders:

- 5.6.1 All material related party transactions and subsequent material modifications as defined by the Audit Committee shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

- 5.6.2 All related party transactions which are not in the ordinary course of business or not at the arm's length price and are exceeding threshold limits prescribed in section 188 of the Act shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

6. Policy review/amendments

- 6.1 This Policy will be reviewed by the Board of Directors of the Company at least once in every three years or at such interval as may be prescribed under the Act or the SEBI Listing Regulations.
- 6.2 Any subsequent amendment(s)/modification(s) in the Act, SEBI Listing Regulations, applicable Accounting Standards or any other governing law, which makes any of the provision of this Policy inconsistent with such Act, SEBI Listing Regulations, Accounting Standards or other governing law, then the provisions of such Act, SEBI Listing Regulations, Accounting Standards or any other governing law shall prevail and shall mutatis mutandis be deemed to have been incorporated in this Policy.

7. Disclosures & Reporting

- 7.1 The Company shall make required disclosures with regard to the Related Party Transactions in its Annual Report and as required in various submissions with the Registrar of Companies and the Stock Exchanges, as per the provisions of the Act and the SEBI Listing Regulations.

- 7.2 This policy is available on the website of the Company at the link:
<https://www.honeywell.com/in/en/hail#policies>