

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

CONTENTS

1. Introduction	2
2. Objective	2
3. Definitions	2
4. Review and approval of Related Party Transactions.....	4
5. Policy Review/Amendments	8
6. Disclosures & Reporting.....	8

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

1. Introduction

- 1.1 The Companies Act, 2013 and rules made thereunder, and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 contains provisions regulating and governing the process of approvals, disclosures and reporting of 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 of the Company and is based on the recommendations of the audit committee of the Company.

2. Objective

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

3. Definitions

- 3.1 “Act” shall mean the Companies Act, 2013 and any rules, regulations, circulars or notifications framed thereunder, including any modifications or re-enactment thereof.
- 3.2 “Arm’s length transaction” shall mean 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 relating to transfer pricing under Income Tax Act, 1961.
- 3.3 “Audit Committee” shall mean the audit committee of the Company formed under the Act and extant rules.
- 3.4 “Board of Directors” shall mean the board of Directors of the Company, as constituted from time to time.
- 3.5 “Material Related Party Transaction” in terms of the SEBI Listing Regulations shall mean a transaction to be entered into with a Related Party, individually or taken together with

previous transactions during a financial year:

- 3.5.1 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;
- 3.5.2 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.
- 3.6 “Material Modification(s)” shall mean an increase of 25% or more in the value for Related Party Transactions approved by the Audit Committee or Board of Directors or Shareholders or INR 10 crores whichever is higher, as the case may be.
- 3.7 “Ordinary course of business” shall mean to include the following non-exhaustive types of transactions:
 - 3.7.1 If covered in the main object(s) incidental to main object in Memorandum of Association of the Company.
 - 3.7.2 Transactions that are necessary for, normal for, incidental to and in furtherance of business.
 - 3.7.3 Transactions that are repetitive or frequent or reasonable in the context of business.
 - 3.7.4 Transactions that are entered into on a similar basis with third parties.
 - 3.7.5 Transactions that are infrequent but important to the central mission or objective of the business.
 - 3.7.6 Transactions that are part of standard industry practice.
- 3.8 “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.
- 3.9 “Related Party Transaction”, in terms of the SEBI Listing Regulations, shall mean a transaction involving a transfer of resources, services or obligations between:
 - 3.9.1 The Company or any of its subsidiaries on one hand and a Related Party of the Company or any of its subsidiaries on the other hand; or
 - 3.9.2 The Company 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 Company or any of its subsidiaries, 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 or 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) retail purchases from the Company or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable or offered to all employees and directors.
- d) any other exempted transactions specified under the Act or SEBI Listing Regulations.

3.9.3 “SEBI Listing Regulations” shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and any rules, regulations, circulars, standards or notifications framed thereunder, including any modifications or re-enactment thereof.

3.9.4 “Shareholders” shall mean the equity shareholders of the Company.

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

4. Review and approval of Related Party Transactions

4.1 Prior Approval by the Audit Committee:

4.1.1 All Related Party Transactions (unless otherwise exempted under the Act or the SEBI Listing Regulations) and subsequent Material Modification(s) therein shall require prior approval of the Audit Committee of the Company.

4.1.2 The Audit Committee shall be furnished the information pertaining to the Related Party Transactions in accordance with the Act and SEBI Listing Regulations.

4.1.3 Only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions.

4.1.4 A Related Party Transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company 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 Company or the subsidiary.

4.1.5 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 Related Party Transaction:

- a) Whether the Related Party Transaction is consistent with the provisions of the Act and the SEBI Listing Regulations;
- b) Whether the Related Party Transaction is in (or not inconsistent with) the interests of the Company;
- c) Whether the Related Party Transaction to be entered into by the Company (or its subsidiary) is on terms that are comparable to those that would be obtained in arm's length transactions with unrelated third parties; and
- d) Whether the Related Party Transaction is in the ordinary course of the business.

4.1.6 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.

4.2 Omnibus Approval by the Audit Committee:

4.2.1 Considering that the Company plays an important part of the Honeywell global supply chain, the Audit Committee shall on an annual basis, after obtaining approval of the Board of Directors of the Company, specify the criteria for making the omnibus approval which shall include the following, namely:

- a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
- b) the maximum value per transaction which can be allowed;
- c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
- d) review, at such intervals as the Audit Committee may deem fit, the Related Party Transactions entered into by the Company pursuant to each of the omnibus approval made;
- e) transactions which cannot be subject to the omnibus approval by the Audit Committee.

4.2.2 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.

- 4.2.3 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.~~ INR 1 crore per transaction or such amount as permitted under the Act and the SEBI Listing Regulations.
- 4.2.4 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.
- 4.2.5 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 and SEBI Listing Regulations, as amended from time to time.
- 4.2.6 If any material information with respect to such transactions shall change subsequent to the Audit Committee's review of such transactions, management of the Company shall provide the Audit Committee with updated information at a subsequent meeting and will get the changes approved afresh by the Audit Committee.
- 4.2.7 Omnibus approval shall not be given for transactions in respect of selling or disposing off an undertaking of the Company.

4.3 Ratification by the Audit Committee:

- 4.3.1 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 and conditions prescribed under the Act and the SEBI Listing Regulations.
- 4.3.2 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 authorized by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it.

4.4 Circular Resolution:

- 4.4.1 To ensure that the business of the Company remains unaffected, only in cases where the Related Party Transaction or Material Modification of any Related Party Transaction requires urgent approvals to be entered into and is of a threshold that cannot be subsequently ratified, the Audit Committee may issue approvals through circular resolution.
- 4.4.2 This approval process will not apply to Material Related Party Transactions.

4.5 Approval by the Board of Directors

- 4.5.1 Approval by the Board of Directors of the Company shall be sought for Related Party Transactions:
 - a) Which are not in the ordinary course of business or not at arm's length price.
 - b) Material Related Party Transactions; and
 - c) Referred to the Board of Directors by the Audit Committee.
- 4.5.2 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.

- 4.6 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 or Board of Directors may refer the same for legal opinion or consultation.

4.7 Prior Approval by the Shareholders:

- 4.7.1 All Material Related Party Transactions (unless otherwise exempted under the Act or the SEBI Listing Regulations) and subsequent Material Modifications 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.
- 4.7.2 The Shareholders shall be furnished the information pertaining to the Material Related Party Transactions in accordance with the Act and SEBI Listing Regulations.

5. Policy Review/Amendments

- 5.1 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.
- 5.2 Any subsequent amendment(s) or 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.

6. Disclosures & Reporting

- 6.1 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.
- 6.2 This policy is available on the website of the Company at the link:
<https://www.honeywell.com/in/en/hail#policies>