POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING WITH RELATED PARTY TRANSACTIONS OF HATSUN AGRO PRODUCT LIMITED

CIN: L15499TN1986PLC012747

Preamble

The Board of Directors ("the Board") of **Hatsun Agro Product Limited** (the "Company or "HATSUN"), has adopted the following Policy and procedure in relation to Related Party Transactions. The Policy envisages the procedure governing Related Party Transactions required to be followed by the Company to ensure compliance with the Law and Regulation.

This Policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company.

Purpose

This policy is framed as per the requirements of Regulation 23 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [including any modification(s) / amendment(s) / re-enactment(s) thereof] ("Listing Regulations") and in terms of Section 188 of the Companies Act, 2013 and is intended to ensure proper approval, disclosure and reporting requirements of transactions between the Company and its Related Parties.

Related Party Transactions are considered appropriate only if they are in the best interests of the Company and its Shareholders. The Company is required to disclose each year in the Financial Statements and in the Annual Report transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

Definitions

"Audit Committee or Committee" means Committee of Board of Directors of the Company constituted under provisions of Section 177 of Companies Act, 2013 and as per Regulation 18 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for audit related purpose.

"**Board**" means Board of Directors of the Company.

"**Companies Act, 2013**" means the Companies Act, 2013 read with the Rules framed thereunder [including any modification(s) / amendment(s) / re-enactment(s) thereof].

"**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 and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.

"**Material Related Party Transaction**" means a transaction with a related party if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover as per the last audited financial statements of the Company.

"**Related Party**" means related party as defined under sub-section 76 of Section 2 of Companies Act, 2013 or under applicable accounting standards.

A 'related party' is a person or entity that is related to the Company. 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:

1) A person or a close member of that person's family is related to a company if that person:

   I. is a related party under Section 2(76) of the Companies Act, 2013 which are as follows:
      i. a director or his relative ;
      ii. a key managerial personnel or his 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 two per cent 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 under 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;
      (B) a subsidiary of a holding company to which it is also a subsidiary; or
      (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. Such other person as may be prescribed shall include a Director other than an Independent Director or Key Managerial Personnel of the Holding Company or his relative with reference to a Company, shall be deemed to be a related party.

Provided that 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**.**

"**Relative**" means relative as defined under the sub-section 77 of Section 2 of Companies Act, 2013 and includes anyone who is related to another, if –

i. They are Members of a Hindu Undivided Family ;
ii. They are Husband and Wife ; or
iii. Father (including step-father)
iv. Mother (including step-mother)
v. Son (including step-son)
vi. Son's wife
vii. Daughter
vii. Daughter's husband
viii. Brother (including step-brother)
ix. Sister (including step-sister)

"**Key Managerial Personnel**" means Key Managerial Personnel in relation to a Company as defined sub-section 51 of Section 2 of the Companies Act, 2013, means and includes:

(i) the Chief Executive Officer or the managing director or the manager;

(ii) the company secretary;

(iii) the whole-time director;

(iv) the Chief Financial Officer;

(v) 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; and

(vi) such other officer as may be prescribed

"Control" shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and takeovers) Regulations, 2011.

"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.

Significant Influence: - means control of at least twenty per cent 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.

Policy and Procedure

Policy

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

All Related Party Transactions shall require prior approval of Audit Committee. Further, all Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions.

Procedure

A. Disclosure by Directors

Every Director shall at the beginning of the Financial Year provide information by way of written notice to the Company regarding his concern or interest in the entity with specific concern to parties which may be considered as related party with respect to the Company and shall also provide the list of relatives which are regarded as related party as per this policy. Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this policy.

B. Identification of Transaction with related Parties

Each Director and Key Managerial Personnel is responsible for providing notice to the Company or Audit Committee of any potential Related Party Transaction involving him or her or his or her relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Audit Committee will determine whether a transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

Each Director and Key Managerial Personnel shall make an annual declaration to the Company and this declaration shall be placed before the Board of Directors at their first meeting held in the financial year. Any change in the list of relatives shall be intimated by the Directors and Key Managerial Personnel from time to time, as may be required.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee / Board has adequate time to obtain and review information about the proposed transaction.

C. Review and approval of Related Party Transaction

i. Audit Committee

Related party transactions are regularly referred to the scheduled meeting of Audit Committee for review and approval. Any member of the Committee or the Directors of the Board who has potential interest in any Related Party Transaction shall not participate / abstain from discussions / voting on the subject matter involving approval of Related Party Transaction.

All the transactions which are identified by the Audit Committee as related party transactions should be pre-approved by the Audit Committee before entering into such transaction. The Audit committee shall consider the following factors while deliberating the related party transactions for its approval: -

- Name of party and details explaining nature of relationship;
- Duration of the contract and particulars of the contract and arrangement;
- Nature of transaction and material terms thereof including the value, if any;
- Manner of determining the pricing to ascertain whether the same is on arm's length;
- Business rationale for entering into such transaction;

- Any other information relevant or important for the Board to take a decision on the proposed transaction.

Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction. If the Committee determines that the related party transaction is

(i) a Material related party transaction; or

(ii) Transactions are not in the ordinary course of business or not at the arm's length price, the Audit Committee shall place the matter before the Board for obtaining its approval.

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

- Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;

- Whether there are any compelling business reasons / rationale 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 an Independent Director; 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 Company was notified about the Related Party Transaction before its commencement and if not, why pre- approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and

- Whether the Related Party Transaction would present an improper 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.

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

a) 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.

b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;

c) 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;

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.10 Crores (Rupee Ten Crores) per transaction.

d) Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.

e) Such omnibus approvals shall be valid for a period not exceeding 1 (one) year and shall require fresh approvals after the expiry of 1 (one) year.

ii. Board of Directors

Where approval of Board of Directors is required for any related party transaction or if the Board in any case elects to reviews any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then 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.

Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

iii. Shareholder approval

In case Board refers a Related Party Transaction for seeking approval of the Shareholders as per the provisions of Companies Act 2013 or otherwise, if any member of Company is a related party as per this policy, such member of the Company shall not vote on resolution passed for approving such related party transaction.

iv. Transactions which do not require approval

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee:

(a) Any transaction involving the providing of compensation to a director or Key Managerial Personnel in connection with his duties to the Company including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
(b) 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.

v. Related Party Transactions not approved under this Policy

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Committee. The Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction, to the extent permissible under the law.

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

vi. Materiality of Related Party Transactions:

Contracts / Arrangements with related party shall be considered as "material related party contracts/Arrangements if the transactions to be entered into individually or taken together with previous transactions during a financial year under such contracts/Arrangements exceeds Rupees One Thousand Crores or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements whichever is lower or such amount as may be prescribed under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as may be amended from time to time.

Transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

Disclosure

- Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.

- The Company shall disclose the policy on dealing with Related Party Transactions on its website.

Amendment

Any change in the Policy shall be approved by the Board of Directors of the Company. The Board of Directors shall have the right to withdraw and/or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. Any subsequent amendment/modification in the Companies Act, 2013 or the Rules framed thereunder or the Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.

This policy (including the thresholds) shall be reviewed by the Board of Directors atleast once in three years and/or as and when required and updated accordingly.

Effective Date

This Policy is effective from 1st April, 2022.

Communication of this Policy

This Policy shall be posted on the website of the Company www.hap.in.

****