

POLICY OF RELATED PARTY TRANSACTIONS PREAMBLE:

The Companies Act, 2013 aims at enhancing Corporate Governance by clearly define the duties of directors and fixing additional responsibilities and defining the attributes and the role of independent director to preserve their independence. It has increased the responsibility of auditors by imposing certain restrictions on providing services other than audit and huge penalties to ensure their independence. Disclosure of related party transactions and approvals for such transactions is one such area which is intended to prevent directors, Key managerial person from taking undue advantage of their position of their personal benefit and ensure transparency in dealings of the company.

POLICY: The Board of Directors (the "Board") of Phoenix Township Limited (PTL) (the "Company"), has adopted the following policy and procedures with regard to materiality of and dealing with Related Party Transactions as defined below. This policy is to regulate transactions between the Company and Related Parties based on the applicable laws and regulations applicable to the Company.

POLICY AND OBJECTIVE: This policy is framed as per requirements of Regulation 23 of the Listing Regulations and intends to ensure the proper approval and reporting of transactions between the Company and its related party.

Definitions: specifies the key definitions stated in the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 ("SEBI LODR Regulations").

Key Principles: states Materiality thresholds and determination of Arm's Length Pricing, Ordinary Course of Business is provided herein.

Process for Identification and Monitoring of Related Parties: states the procedure to be followed by the Company for identification and monitoring of Related Parties. The Secretarial team is mandated to prepare a consolidated list of related parties which shall be updated and submitted to Audit Committee periodically and shared with all Business/ Functional Heads for appropriate compliances at their end.

Process for Identification, Review and Approval of Related Party Transactions: explains the procedure for execution of RPTs. The approvals as laid down in Companies Act, 2013 and SEBI LODR Regulations have been embedded within this procedure.

Additionally the approval process for material RPTs/ RPTs not in ordinary course and/ or not at arm's length is also specified. For transactions of a recurring nature, concept of omnibus approvals per the Companies Act, 2013 and Rules thereunder and SEBI LODR Regulations is elaborated. The process to be adopted for RPTs not approved under this policy is also spelt out

Administrative Measures: states administrative measures to ensure RPTs are not in violation of this policy.

Interpretation: specifies that in the event of changes or amendment in applicable/relevant law, the law/rule/regulation/standard will take precedence over these policies and procedures



Disclosure: highlights the disclosures to be made with respect to RPTs on the Company's website, to Stock Exchanges and at other fora

System Enabled Tracking of Related Parties and Transactions: states how the existing system shall be enabled to support the process of tracking RPTs.

1. Purpose

Phoenix Township Limited (the "Company") recognizes that Related Party Transactions (as defined below) can present potential or actual conflicts of interest and may raise questions about whether such transactions are in the best interest of the Company and its shareholders. Therefore, this policy has been adopted by the Company's Board of Directors, to ensure high standards of Corporate Governance while dealing with Related Parties (as defined below) and sets forth the procedures under which the RPT must be reviewed, approved or ratified and reported.

This policy shall be guided by the Group Guidelines Governing Related Party Transactions and has been drafted with an objective of ensuring compliance with the provisions pertaining to RPT in Companies Act, 2013 and SEBI LODR Regulations and setting out materiality thresholds for RPT.

This policy has been adopted by the Board of Directors of the Company based on the recommendations of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

2. Definitions

2.1. Definitions as per Companies Act, 2013

Following are the key definitions with respect to Related Party and RPTs as per the Companies Act 2013

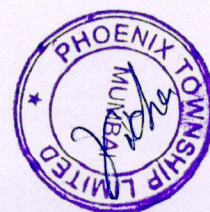
1. '**Arm's length transaction**' means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

2. '**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 definition:

(a) the expression "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;

(b) the expression "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. **'Body Corporate' or 'Corporation'** includes a company incorporated outside India, but does not include;

- A co-operative society registered under any law relating to co-operative societies; and
- Any other body corporate (not being a company as defined in this Act), which the Central Government may, by notification, specify in this behalf.

4. **'Chief Executive Officer'** means an officer of a company, who has been designated as such by it.

5. **'Chief Financial Officer'** means a person appointed as Chief Financial Officer of the company.

6. **'Company'** means a company incorporated under the Companies Act, 2013 or under any previous company law.

7. **'Control'** shall include the right to appoint majority of the directors or to control the Management or policy decisions, exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or Management rights or shareholders agreements or voting agreements or in any other manner.

8. **'Holding Company'**, in relation to one or more other companies, means a company of which such companies are subsidiary companies. For the purposes of this definition, the expression "company" includes any body corporate.

9. **'Key Managerial Personnel'**, in relation to company, means –

- the Chief Executive Officer or the managing director or the manager;
- the whole-time director;
- the Chief Financial Officer;
- the Company Secretary;
- 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
- such other officer as may be prescribed

10. **'Manager'** means an individual who, subject to the superintendence, control and direction of the Board of Directors, has the Management of the whole, or substantially the whole, of the affairs of a company, and includes a director or any other person occupying the position of a manager, by whatever name called, whether under a contract of service or not.

11. **'Managing Director'** means a director who, by virtue of the articles of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of Management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called.

12. **'Net Worth'** means the aggregate value of the paid-up share capital and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write back of depreciation and amalgamation.



13. 'Office or place of profit' means any office or place –

- Where such office or place is held by a director, if the director holding it receives from the company anything by the way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, any rent free accommodation or otherwise;
- Where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by the way of remuneration, salary, fee, commission, perquisites, any rent free accommodation or otherwise.

14. "Related party", with reference to a company, means—

- 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 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;
- viii. Any body corporate which is—
 - ☐ Holding, subsidiary or an associate company of such company;
 - ☐ Subsidiary of a holding company to which it is also a subsidiary; or
 - ☐ An investing company or the venturer of the company
- ix. a director (other than an independent director) or key managerial personnel of the holding company or his relative.

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

For the purpose of this definition, "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.



15. **“Relative”**, with reference to any person, means anyone who is related to another, if—

- They are members of a Hindu Undivided Family;
- They are husband and wife; or
- One person is related to the other in such manner as may be prescribed
Rule 4 of the Definition Rules have prescribed the following persons who shall be deemed to be the relative of another, if he or she is related to another in the following manner;
- Father: term “Father” includes step-father;
- Mother: term “Mother” includes the step-mother;
- Son: term “Son” includes the step-son;
- Son’s wife;
- Daughter;
- Daughter’s husband;
- Brother: term “Brother” includes the step-brother;
- Sister: term “Sister” includes the step-sister

16. **‘Subsidiary Company’ or ‘Subsidiary’**, in relation to any other company (that is to say the holding company), means a company in which the holding company –

- i. Controls the composition of the Board of Directors; or
- ii. Exercise or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies;

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation: For the purposes of this clause –

- A company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- The composition of a company’s Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- The expression ‘company’ includes any body corporate;
- ‘layer’ in relation to a holding company means its subsidiary or subsidiaries.

17. **‘Turnover’** means the gross amount of revenue recognised in the profit and loss account from the sale, supply, or distribution of goods or on account of services rendered, or both, by a company during a financial year. .

18. **‘Whole-time director’** includes a director in the whole-time employment of the company.

2.2. Definitions as per SEBI LODR Regulations



Following are the key definitions with respect to Related Party and RPTs as per the SEBI LODR Regulations

1. Related Party:

An entity shall be considered as Related Party to the company if:

- i. Such an entity is Related Party under Section 2(76) of the Companies Act, 2013; or
- ii. Such an entity is a Related Party under the applicable accounting standards.

2. 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.

2.3. A Related Party Transaction (RPT) would include contracts/ arrangements/ transactions with a Related Party.

3. Key Principles

A. Materiality Thresholds for RPTs

Nature of Transactions	Materiality as per Companies Act, 2013 (A)	Materiality as per SEBI LODR (B)
Sale, purchase or supply of any goods or materials directly or through appointment of agents	Exceeding 10% of Turnover or Rs.100 Crores, whichever is lower	
Buying, selling or disposing of property of any kind directly or through appointment of agents	Exceeding 10% of Networth or Rs.100 Crores, whichever is lower	
Leasing of any kind of property	Exceeding 10% of Networth or 10% of Turnover or Rs.100 Crores, whichever is lower	
Availing or rendering of any services directly or through appointment of agents	Exceeding 10% of Turnover or Rs.50 Crores, whichever is lower	All transactions with one party exceeding 10% of the annual consolidated turnover
Appointment to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration exceeding Rs.2,50,000	



Remuneration for underwriting the subscription of any securities in or derivatives thereof	Exceeding 1% of net worth	
Transfer of resources (e.g. loans and advances, interest thereon, guarantees)	-	

Net worth and turnover would be as per Audited accounts of preceding financial year.

The Company has defined Material RPTs basis the thresholds defined in the Companies Act 2013 and Regulation 23 of the SEBI LODR Regulations.

B. Arm's Length Pricing

The Arm's Length Pricing (ALP) is the condition or the fact that the parties to a RPT are independent (un- related) and on an equal footing from one or more of the following aspects namely quality, realization, commercial terms etc. Such a transaction is known as an "arm's-length transaction".

In the absence of any prescriptive guidelines on Arm's Length Pricing in the Companies Act, 2013, the Company shall take guidance from the Framework on Arm's Length Pricing (herein after referred to as the 'Framework') approved by the Audit Committee, for determining the terms of RPTs. Additionally, the Company may also adopt any other reasonable approach or methodology to demonstrate ALP for the specified RPT identified by them. For example: in case the Company is not doing a similar transaction with any unrelated Party, the terms between two unrelated parties of similar standing for similar transactions, will form the Arm's Length benchmark.

Additionally, the pricing of long term RPTs as defined by Audit Committee/ Board of Directors, shall be reviewed periodically to ascertain the appropriateness of Arm's Length

C. Ordinary Course of Business

The criteria of being "ordinary" or "normal" or "in the ordinary course of business", is met when both of the two selective criteria are satisfied namely;

- a) the transaction must be ascribed to business objectives or operational activities or alternatively, related to financial activities and;
- b) the same transaction must also fall under the perimeter of the ordinary exercise of operational activities or related financial activities. Based on the principles elaborated in the Group Guidelines Governing Related Party Transactions, the Company shall determine the activities to be classified as being in the Ordinary Course of Business.



4. Identification and Monitoring of Related Parties

Process for Identification of Related Parties

The Secretarial team shall identify all Related Parties for the Company on the basis of disclosures received from the Directors/ KMPs, corporate and investment structure and other supporting documents/ information. The names of all Related Parties identified shall be consolidated, as a Related Party Reference List (hereafter the 'Reference List') and this Reference List as amended from time to time shall be progressively shared with all Business Heads (Unit General Manager or higher)/ Functional Heads (Director or higher), as defined in the Framework, for compliance at their end.

The Technology Team will tag the Related Parties in the Reporting System to generate periodic reports of RPTs recorded in the system. Finance/Internal Audit will independently review the tagging in the system from time to time.

Process for Monitoring Related Parties

The Directors and KMPs are mandated to promptly communicate to the Secretarial team any changes in the initial disclosure submitted by them. The Secretarial team shall update the Reference List on the basis of intimations received from the Directors/ KMPs or changes in corporate or investment structure as informed from time to time.

All Business Heads would be required to proactively ensure that RPTs are entered in accordance with the approved Framework and provide self-certified compliance certificate periodically to the Company Secretary on periodic basis as may be placed before the Audit Committee.

An independent validation of compliance vis a vis the approved Framework would be conducted by Internal Audit Team or such other person(s) nominated / appointed for the purpose.

5. Identification, Review and Approval of Related Party Transactions

Prior to entering into any RPT whatsoever, the Business/ Functional Heads shall refer to the latest Reference List circulated by the Secretarial team to assess whether the party with whom the transaction is proposed to be entered is a Related Party.

If the party is not a Related Party then they shall be required to follow the normal business protocol for executing such transactions.

However, if the party is identified as a Related Party, the Business/ Functional Heads would need to ensure that the RPT is being entered in accordance with the Framework for RPT or seek a prior approval of the Audit Committee for undertaking such RPT.

To seek such approvals of the Audit Committee through the Secretarial Team, the Business / Functional Heads would need to submit the request to the Finance team as below:

- Name of the Related Party
- nature of transaction, period of transaction,
- Confirmation that the transaction proposed is in the Ordinary Course of Business



- Confirmation that the transaction proposed is at Arm's Length basis.
- Underlying assumption/justification for confirming that the transactions proposed is on an Arm's Length Basis.
- Commercial consideration
- Maximum value of the transaction

List of RPTs with omnibus approval and within the ambit of the Framework approved by the Audit Committee, will be reviewed by the Audit Committee on an ongoing basis.

The Business/ Functional Heads would need to submit a summary of RPTs with adequate back up and justifications along with a self-certified compliance Certificate to the Audit Committee through the Company Secretary on a periodic basis.

The summary at the minimum would include the following information:

- Name of the Related Party
- Confirmation that the transaction were in the Ordinary Course of Business
- Confirmation that the transaction were at Arm's Length basis.
- Confirmation that documentation is available to establish the same

To facilitate guidance to Business / Functional Heads and address clarifications, a cross-functional team comprising of a representative each from Finance, Technology and Secretarial team would be created. The Secretarial member will facilitate clarifications on the list of Related Parties and status on approval from the Audit Committee in respect of RPTs. The Finance member will provide guidance on whether they believe the transactions is at arm's length based on information provided.

The technology member will provide guidance on System support.

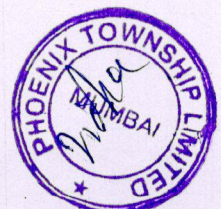
The Business/ Functional Heads may engage with this team and vice versa.

In addition to the RPTs reported by the respective business / Functional Heads alongwith the self-certified compliance certificate, the RPT team will also have access to the system which will enable them to pull out a system-generated report of RPTs captured/ recorded in the system. This report will be shared with the Secretarial team to enable them to place the same before the Audit Committee.

An independent validation of compliance vis a vis the approved Framework would be conducted by Internal Audit Team or such other person(s) nominated / appointed for the purpose.

The Secretarial team on receipt of a request for an Audit Committee Approval in respect of a RPT shall arrange to obtain Audit Committee approval. Any member of the Audit Committee, who has a potential interest in any particular RPT, shall abstain from discussion and voting on the approval of that particular RPT. While obtaining approval from the Audit Committee, the following would be ensured:

- Provide relevant details of the proposed transactions to facilitate informed decision-making.



- Audit Committee to ascertain that the transaction is at Arm's Length and in the Ordinary course of business
- Evaluate whether the RPT would present a conflict of interest for any Related Party of the Company.
- In case of material transaction, the transaction needs to be referred to the Board of Directors for approval.

The Committee approval should be obtained through voting only by disinterested members in the respective RPT and recorded in the minutes.

In case of transactions, other than transactions referred to in section 188 of the Act and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board.

Post facto Audit Committee approval within three months from the date of the transaction, is permitted, with an upper threshold of one crore rupees on such transactions.

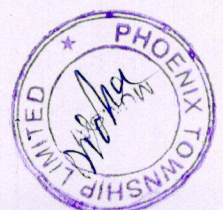
Audit Committee approval for transactions, between a holding company and its wholly owned subsidiary company is exempted; provided such transactions do not require Board's approval under section 188 of the Act.

Process for Material RPTs or RPTs which are not in the ordinary course and not at arm's length

For RPTs identified as *outside the ordinary course and/ or not at arm's length, but not material as per Companies Act 2013*, the Secretarial team shall present the Audit Committee's opinion on such RPTs before the Board of Directors, for seeking **Board approval**. The Board may take an independent view on the approval of the RPT based on information made available and further information may be sought. Board approval should be obtained through voting only by disinterested directors in the respective RPT.

However, if the proposed RPT is classified as *outside ordinary course of business and/ or not at arm's length, but material as per Companies Act 2013*, a **prior approval of the shareholders** shall be obtained through resolution. A member, interested in any way in the RPT should abstain from voting on the resolution for such transaction. This does not apply to transactions entered into between a holding 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.

If the proposed RPT is classified as *material as per Regulation 23, whether in ordinary course of business and/ or arm's length, or otherwise*, a **prior Board approval** should be obtained and thereafter, **approval of the shareholders** shall be obtained through resolution. All entities falling under the definition of Related Parties should abstain from voting on such resolution irrespective of whether the entity is a party to the particular transaction or not. This does not apply to transactions entered into between a holding 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.



Note: The prohibition on members who are related parties, from voting on a resolution for approval of a related party transaction, shall not apply in case of companies in which 90% or more members, in number, are relatives of the promoters or are related parties.

Recurring RPTs

In case of RPTs of a recurring nature, the details of the RPT shall be submitted to the Audit Committee in the prescribed format to obtain its omnibus approval.

The Audit Committee shall, after obtaining approval of the Board, lay down the criteria for granting the omnibus approval in line with the Policy and such approval shall be applicable in respect of repetitive transactions;

The Audit Committee shall satisfy itself about the need for such omnibus approval and that such approval is in the interest of the company;

The omnibus approval would specify, to the extent possible:-

- Names of the Related Party
- Nature of the transaction/ categories of such transactions.
- Period of the transaction/contract/ arrangement
- Maximum value for which such a transaction can be cumulatively transacted.
- Guidance on commercial consideration.
- Any other conditions the Audit Committee deems fit

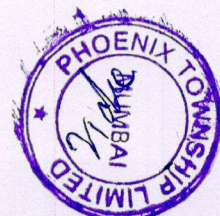
The omnibus approval thus received shall be considered as prior approval for the respective/ classified RPT. This shall eliminate the need/ requirement for obtaining prior approval for such recurring RPT of similar nature. However, such RPTs will continue to be evaluated for propriety of arm's length and ordinary course of business. The omnibus approval thus obtained shall remain valid for a period of one financial year. On expiry of the said term/period, fresh approval shall be obtained for the classified RPTs.

On a quarterly basis, the Audit Committee shall review all RPTs for which it has granted omnibus approval.

The maximum value of the transactions with a related party, in aggregate, which can be allowed under omnibus route in a year will be 10% of the annual consolidated turnover of the company as per last its audited financial statements.

Transactions of following nature will not be subject to the omnibus approval of the Audit Committee:

- Transactions which are not at arm's length or not in the ordinary course of business
- Transactions which are not repetitive in nature
- Transactions exceeding materiality thresholds as laid down in Clause 3A of the Policy
- Transactions in respect of selling or disposing of the undertaking of the company
- Any other transaction the Audit Committee may deem not fit for omnibus approval



In case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 crore per transaction.

After obtaining approval of the Board of Directors, the Audit Committee of the Company has specified following criteria for granting omnibus approval:

6. Administrative Measures

Management shall institute appropriate administrative measures to provide that all RPTs are in compliance, and are reviewed in accordance with, this policy. All persons dealing with Related Parties will, irrespective of the level, be responsible for compliance with the policy. All Business / Functional Heads will certify compliance with this policy, on a periodic basis, to the Audit Committee through the Secretarial team.

7. Interpretation

In any circumstance where the terms of this policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over these policies and procedures until such time as this policy is changed to conform to the law, rule, regulation or standard.

8. Disclosure

The policy shall be published on the Company's website <http://www.hbgindia.com/Investor-Information.html> and web link of the policy shall be disclosed in the Company's Annual Report.

The details of RPTs, which are not in the Ordinary Course of Business and/ or not at Arm's Length, shall be disclosed in the Board's report along with a justification for entering into such transactions.

The details of material RPTs shall be disclosed on a quarterly basis along with the compliance report on corporate governance filed with the stock exchanges, where the securities of the Company are listed.

9. System Enabled Tracking of Related Parties and Transactions

The existing process and controls with respect to identification of Related Parties and execution of RPTs shall be enabled in the System to the extent feasible. The existing system shall be customized to enable tagging of related parties in the vendor/ customer master.

