



HIGHNESSTM

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POLICY ON RELATED PARTY TRANSACTION

HIGHNESS MICROELECTRONICS LTD.

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1. INTRODUCTION

- 1.1 The Board of Directors ("the Board") of HIGHNESS MICROELECTRONICS LIMITED ("Highness" or the "Company") has adopted the Policy to be known as "Policy on Related Party Transaction" regarding the review and approval of Related Party Transactions and to set forth the guidelines on materiality of such Related Party Transactions.
- 1.2 This Policy has been made in compliance with the requirements of Section 188 of the Companies Act, 2013 and Rules made there under (the "Act") and Regulation 23 of the SEBI (Listing Obligations & Disclosure Requirements) 2015 (the "Listing Regulations").
- 1.3 The Board has adopted this Policy at its meeting held on February 07, 2025 which can be amended from time to time and shall come into effect from the date of listing of the Equity Shares of the Company.

2. OBJECTIVE

This Policy is made with an intent to ensure proper approval and reporting of RPTs as applicable, between the Company and related party(ies) in the best interest of the Company and its Stakeholders.

3. DEFINITIONS

- 3.1 Unless repugnant to the meaning or context thereof, the following expressions, wherever used in this Code, shall have the meaning assigned to them below:

- (I) **"Arm's Length Transaction"** means a transaction between 2 (two) related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- (II) **"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-

- 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
- (III) **"Audit Committee"** means an Audit Committee constituted by the Board of Directors of the Company as per Section 177 of the Companies Act, 2013 or rules made thereunder and Regulation 18 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, (LODR) and the Act, from time to time.

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(IV) **"Board of Directors" or "Board"** means the Board of Directors of the Company, as constituted from time to time.

(V) **"Material Related Party Transaction"** shall mean a transaction with a Related Party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds the following thresholds:

- (i) In case of transaction involving payments made with respect to brand usage or royalty, if it exceeds 5% of the annual consolidated turnover of the Company as per its last audited financial statements.
- (ii) In case of any other transaction, if the amount exceeds Rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

Provided that with effect from April 01, 2025, in case of a listed entity which has listed its specified securities on the SME Exchange, a transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rupees fifty crore or ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

(VI) **"Ordinary Course of Business"** means usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per its Memorandum of Association and Articles of Association.

(VII) **"Policy"** means this Related Party Transaction Policy.

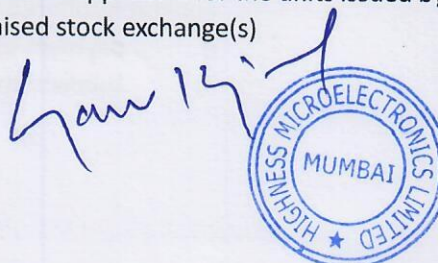
(VIII) **"Relative"** shall have the same meaning as defined in section 2(77) of the Act.

(IX) **"Related Party"** as defined under Listing Regulation means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards.

Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
- (b) any person or any entity, holding equity shares:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2024;in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year shall be deemed to be a related party.

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s)



Under **Section 2(76)** of the Companies Act, 2013, as referred above, a Related Party with reference to a company means:

- (i) a director or his relative;
- (ii) 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 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 company 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) Such other person as may be prescribed.

(X) "Related Party Transaction"

As defined under **Listing Regulation** shall means a transaction involving a transfer of resources, services, or obligations between:

- i. 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
- ii. 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 subsidiaries, with effect from April 01, 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 by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i) payment of dividend;
 - ii) subdivision or consolidation of securities;

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- 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 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 the format as specified by the Board:
- d) acceptance of current account deposits and saving account deposits 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:
Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon.
- 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:

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s).

Under **Section 188 of the Companies Act, 2013**, contracts or arrangements with related party with respect to:

- (a) sale, purchase or supply of any goods or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (c) leasing of property of any kind;
- (d) availing or rendering of any services;
- (e) appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the company.

(XI) "Subsidiary Company" in relation to any other company i.e., holding company, means a company in which the holding company-

- i. controls the composition of the Board of Directors; or
- ii. exercises or controls more than one-half of the 19[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) 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;
- (b) 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;
- (c) the expression "company" includes any body corporate;

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(d) "layer" in relation to a holding company means its subsidiary or subsidiaries;

3.2 Any other term not defined herein shall have the same meaning as defined in the Companies Act, LODR Regulations or any other applicable law or regulation and as amended from time to time.

4. PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS

4.1 APPROVAL OF AUDIT COMMITTEE

- i) All related party transactions and subsequent material modifications shall require prior approval of the audit committee of the company. However, only independent directors of Audit Committee shall approve the related party transactions.
- ii) The audit committee of a listed entity shall define "material modifications" and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions;
- iii) 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 percent of the annual consolidated turnover**, as per the latest audited financial statements of the listed entity.

However, with effect from April 01, 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.

- iv.) Prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (d) above, the prior approval of the audit committee of the listed subsidiary shall suffice.

- v). remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of sub-regulation (1) of this regulation.

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For the purpose of this policy, the term "Material Modification(s)" shall mean and include such modification which:

- (i) has the effect of changing the monetary value of approved related party transactions, whether approved by Audit Committee or shareholders, as the case may be, by 20% or
- (ii) has the effect of making the transaction not in ordinary course of business and/or Arm's length basis, if the said transactions were approved as such.

Omnibus Approval

The Audit Committee may, in the interest of the conduct of affairs of the Company, grant omnibus approval for Related Party Transactions that are repetitive in nature, 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 listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;
- b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;
- c) the omnibus approval shall specify:
 - i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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 rupees one crore per transaction.

- d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.
- e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

4.2 APPROVAL OF BOARD OF DIRECTORS

Approval of the Board shall be required for entering into the Related Party Transactions which are not in the ordinary course of business or not an Arm's Length Transaction.

4.3 APPROVAL OF SHAREHOLDERS OF COMPANY

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All transaction given in Annexure-1, Material Related Party Transactions and subsequent modification(s) shall be placed before the shareholders for their approval and no Related Party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Provided that prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

Provided further that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved;

However, the requirement for obtaining shareholders' approval is not applicable for the:

- a) transactions entered into between two public sector companies
- b) 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;
- c) transactions entered into between two wholly owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- d) transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand.
- e) transactions entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand.

5. DISCLOSURE

The particulars of contracts or *arrangement* with Related Parties referred to in section 188(1) of the Act shall be disclosed in the report of the Board as per Section 134 of the Act. Further, the Company shall provide additional disclosures on related party transactions as required under Regulation 23 of the SEBI (LODR) Regulations, 2015.

6. VIOLATION

If any related party transaction comes to the notice of company which has not been approved in accordance with this policy, then it shall be dealt by Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems and shall take any such action it deems appropriate.

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7. REVIEW AND AMENDMENT

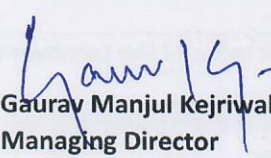
The Audit Committee periodically shall review this Policy and may recommend amendments to this Policy from time to time as it deems appropriate.

The Board shall also review the policy atleast once every three years and amend it, if required.

8. WEBSITE

As per Regulation 46 (2)(h) of the Listing Regulation, this Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the Annual Report.

For and on behalf of Highness Microelectronics Limited


Gaurav Manjul Kejriwal
Managing Director



"ANNEXURE-1"

The related party transactions that exceed the threshold limits as provided below shall require approval of the shareholders:

S. No.	Specified Transactions	Threshold
1.	sale, purchase or supply of any goods or materials, directly or through the appointment of agent	ten percent or more of the turnover of the company
2.	Selling or otherwise disposing of or buying a property of any kind, directly or through the appointment of an agent,	ten percent or more of net worth of the company
3.	Leasing of property any kind	ten percent or more of the turnover of the company
4.	Availing or rendering of any services, directly or through the appointment of an agent,	ten percent or more of the turnover of the company
5.	Appointment to any office or place of profit * in the Company, it's subsidiary company or associate Company	Monthly remuneration exceeding two and a half lakh rupees
6.	Remuneration for underwriting the subscription of any securities or derivatives thereof	exceeding one percent of the net worth

***Office or place of profit** means any office or place:

- a) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- b) 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 way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;