	The Hub Power Company Limited	Related Party Transactions Policy
	Approved by the Board on August 26, 2024	

Background

The Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan (SECP) requires that the Board of Directors (the “**Board**”) of a listed company shall define and adopt policy for review and reporting of related party transactions.

Purpose

This Related Party Transactions Policy (the “**Policy**”) is intended to ensure the proper approval and reporting of transactions between The Hub Power Company Limited (the “**Company**”) and its related parties, as defined under Section 208 of the Companies Act, 2017 (the “**Companies Act**”), read with the Companies Related Party Transactions and Maintenance of Related Records) Regulations, 2018 (“**Related Party Regulations**”), as may be amended from time to time.

Related party transactions are appropriate only if they reflect economic substance and are executed to conduct the normal course of business. These transactions should be at arm’s length, however, if in case the Company is required to enter into an agreement which is not at arm’s length, the Company must ensure that the terms are in the best interest of the Company. The Company is required to disclose the related party relationship and transactions as per the Related Party Regulations, along with the Company’s financial statements and publish an annual statement of compliance with Code of Corporate Governance (the “**Code**”).

Policy

In accordance with the requirements set out by the Companies Act and the Related Party Regulations, the Company has adopted the following policy:

1. Approval of Related Party Transactions:


The details of all related party transactions shall be placed before the Board Audit Committee (the “**BAC**”) of the Company and upon recommendations of the BAC the same shall be placed before the Board for review and approval / ratification.

Related Party Transactions involving a substantial shareholder, director, nominee director, key management personnel and/or their close family members will be referred to the BAC for review and approval or ratification. Any BAC / Board member who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from voting on the approval or ratification of the Related Party Transaction, but may participate in all or a portion of the BAC / Board’s discussions of the Related Party Transaction, if requested by the Chairman of the BAC / Board.

Before placing to the BAC, all related party transactions must be reviewed and verified by the internal audit department of the Company to ensure accuracy and completeness.

To review a Related Party Transaction, the BAC will be provided with all relevant material information of the Related Party Transaction, as stated in Section 3 below. Additionally, potential risks of Related Party Transactions and mitigating measures, and any limitations or conditions that may be applicable in case of certain/particular Related Party Transactions shall be highlighted to the BAC, and Board / shareholders (as may be required).

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

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- Whether the terms of the Related Party Transaction are fair to the Company and would apply on the same basis if the other party to the transaction did not involve a related party;
- Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- Whether the Related Party Transaction would impair the independence of an otherwise independent director or nominee director; or
- Whether the Related Party Transaction would present a conflict of interest for any director, nominee director or key management personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, nominee director, key management personnel or other related party, the direct or indirect nature of the director's, nominee's, key management personnel or other related party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the BAC deems relevant.

In any case where the BAC determines not to ratify a Related Party Transaction it may direct additional actions including, but not limited to, immediate discontinuation, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the BAC has authority to modify or waive any procedural requirements of this Policy.

If the BAC or its Chair determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter, 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.

Notwithstanding the above, where a majority of the directors are interested in a Related Party Transaction, the matter shall be placed before the shareholders for approval as a special resolution.

2. Transactions at Arm's Length

As per Regulation 4 of the Related Party Regulations, the following are the conditions for an 'arm's length transaction', namely;


- The parties to the transaction were unrelated in any way;
- The parties were free from any undue influence, control or pressure;
- Through its relevant decision-makers, each party was sufficiently knowledgeable about the circumstances of the transaction, sufficiently experienced in business and sufficiently well advised to be able to form a sound judgement as to what was in its interests; and
- Each party was concerned only to achieve the best available commercial result for itself in all the circumstances.

3. Transactions not at Arm's Length

The related party transactions which are not executed at arm's length shall also be placed separately at each BAC meeting along with necessary justification for consideration and approval of the Board on recommendation of the BAC.

The Board shall approve the pricing methods for related party transactions that were made on the terms equivalent to those prevailing in arm's length transaction, only if such terms can be substantiated.

4. Minimum Information

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The following minimum information required for the related parties with whom transactions are to be made, shall be circulated to the BAC / Board with the agenda of the respective BAC / Board Meeting and notice of Shareholder Meeting as part of the statement of material facts in terms of Section 134 of the Companies Act, or along with the papers circulated for the relevant circular resolution of the Board / Shareholders of the Company, as applicable:

- (a) Name of related party;
- (b) Names of the interested or concerned persons or directors;
- (c) Nature of relationship, interest or concern, along with complete information of financial or other interest or concern of directors, managers or key managerial personnel in the related party;
- (d) Detail, description, terms and conditions of transaction;
- (e) Amount of transaction;
- (f) Timeframe or duration of the transactions or contracts or arrangements;
- (g) Pricing policy;
- (h) Recommendations of the BAC, where applicable;
- (i) Any other relevant and material information that is necessary for the Board to make a well-informed decision regarding the approval of related party transactions.

5. Maintenance of Records

The Company shall maintain at its registered office, one or more registers with regards to transactions undertaken with related parties and contracts or arrangements in which directors are interested, in the forms specified in the Related Party Regulations, and shall enter therein the particulars of;

- (a) contracts or arrangements, in which any director is, directly or indirectly, concerned or interested as per Section 205 of the Companies Act; and
- (b) contracts or arrangements with a related party with respect to transactions to which Section 208 of the Companies Act applies.

The entries in the register shall be made in chronological order and shall be authenticated through signatures by the Company Secretary or by any other person authorised by the Board in this behalf.


The Company shall keep all the contracts, agreements, instruments etc. in respect of transactions or arrangements with related parties at its registered office.

The register and record shall be kept in the custody of the Company Secretary, or any other person authorised by the Board in this behalf, and it shall be preserved in good order.

The Company shall provide extracts from such register to a member of the Company on his / her request, within 7 (seven) days from the date on which such request is made upon the payment of such fee as may be specified in the articles of the Company but not exceeding PKR 10/- (Pak Rupees Ten) per page.

6. Procedure to be followed in case of failure to present related party transactions for approval

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the BAC, Board or shareholders, as applicable, and if it is not ratified by the Board or, as the case may be, by the shareholders, at a meeting within **ninety days** from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board / shareholders (as applicable) and if the contract or arrangement 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.

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Without prejudice to anything contained in above, it shall be open to the Company to proceed against a director or any employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.