

Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions

1. INTRODUCTION

The Board of Directors of ISMT Limited (“Company”) has adopted this Policy on Materiality of Related Party Transactions & Dealing with Related Party Transactions (“Policy”) in accordance with the requirement of Regulation 23(1) of the SEBI (LODR) Regulations, 2015 (“SEBI Regulations”).

SEBI through SEBI (LODR) (Sixth Amendment) Regulations, 2021 has amended the aforesaid regulation pursuant to which the Board of Directors of the Company has to review this Policy once in every three years and updated accordingly.

As a matter of practice, the Company follows arm’s length basis in transacting business with its related parties which are in the ordinary course of business.

2.1 RELATED PARTY TRANSACTIONS

Related Party Transaction means a transaction as defined under Section 188(1) of the Companies Act, 2013 (“Act”) and as amended from time to time.

Pursuant to Regulation 2 (ZC) of the SEBI Regulations, “related party transaction” 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.

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:

2.2 MATERIALITY THRESHOLD

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 one thousand crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

2.3 MATERIAL MODIFICATIONS

Material modification will mean any modification to an existing related party transaction equivalent to 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.

3. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

The Company shall have in place an internal system to review the dealings with related party transactions in compliance with the provisions of the Act and under SEBI Regulations.

**Applicable with effect from April 1, 2023.*

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3.1 AUDIT COMMITTEE

- a) Transactions with Related Parties and subsequent material modifications shall require prior approval of the Audit committee unless such transaction is exempted from such approval pursuant to provisions of the Act and SEBI Regulations.
- b) Only those members of the audit Committee, who are independent directors, shall approve related party transactions.
- c) Transactions with Related Parties to which the subsidiary of the Company is a party but the Company is not, 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 10% of the annual consolidated turnover, as per the last audited financial statements, of the Company;
- d) *Transactions with Related Parties to which the subsidiary of the Company is a party but the Company is not, 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 10% of the annual standalone turnover, as per the last audited financial statements, of the subsidiary.
- e) The Audit Committee may grant omnibus approval for Related Party Transactions subject to compliance with SEBI Regulations.

3.2. BOARD OF DIRECTORS

If the Audit Committee determines that a Related Party Transaction should be brought before the Board or it is mandatory under the Act for the Board to approve such Transaction, then the Board shall consider and approve such Related Party Transaction.

3.3. SHAREHOLDERS

All the Material Related Party Transaction and subsequent material modifications, unless such transaction is exempt from such approval pursuant to the provisions of the Act and SEBI Regulations, shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the Company is a related party to the particular transaction or not.

Transactions other than Material Related Party Transactions which are not in the ordinary course of business or at Arm's Length basis shall require the approval of shareholders if required under the Act.

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4. EXEMPTIONS

4.1 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 SEBI (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;

iii. issuance of securities by way of a rights issue or a bonus issue; and

iv. buy-back of securities.

4.2 Clause 3 shall not be applicable in the following cases:

(a) 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.

(b) 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

5. EFFECTIVE DATE

This amended Policy shall come into effect from April 01, 2022.

This Policy was amended by the Board of Directors of the Company in its meeting held on February 14, 2022.