



## **Policy on Materiality of and dealing with Related Party Transactions**



## Policy Version Control:

| Sr No. | Policy Version | Revised By | Revision Date | Approved By | Approval Date |
|--------|----------------|------------|---------------|-------------|---------------|
| 1      | 1.0            | -          | -             | Board       | 31.12.2014    |
| 2      | 2.0            | Board      | 13.02.2015    | Board       | 13.02.2015    |
| 3      | 3.0            | Board      | 14.11.2019    | Board       | 14.11.2019    |
| 4      | 4.0            | Board      | 07.02.2023    | Board       | 07.02.2023    |
| 5      | 5.0            | Board      | 07.08.2025    | Board       | 07.08.2025    |



## I. PREAMBLE

The Board of Directors ("**the Board**") of the Company understands the importance of stakeholders' confidence and trust in the Company. Considering the requirements of Companies Act, 2013 read with Rules made thereunder (the "**Act**") and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time ("**LODR Regulations**") there was need for proper identification, conduct and documentation of the Related Party Transactions ("**RPT**").

Therefore, in order to ensure transparency in Related Party Transactions and avoidance of conflict of interest with the stakeholders, the Board of Directors has adopted policy with respect to the RPT of the company viz "Policy on Materiality of and Dealing with Related Party Transactions" (the "**Policy**") in their meeting held on 31.12.2014, which was subsequently revised by the board in their meeting held on 13.02.2015, 14.11.2019 and 07.02.2023. However, to incorporate the changes that took place in LODR Regulations in the recent past years, this policy needs to be updated to include such all aspects. Hence, this policy is revised as follows:

## II. OBJECTIVES

The changes carried out through Act and LODR Regulations, pose many requirements on the Company. One such requirement is that the Company is required to formulate a policy on materiality of and dealing with Related Party Transactions.

The objective of this Policy is to set out:

- a) Identification of the Related Parties
- b) The materiality threshold for related party transactions
- c) The manner of dealing with the transaction between the Company and its related parties based on the Act, LODR Regulations and any other laws and regulations as may be applicable to the Company.

## III. DEFINITIONS

"**Act**" means the Companies Act, 2013, Rules framed thereunder and any amendments thereto.

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

"**Audit Committee or Committee**" shall mean a committee of Board of Directors of the Company constituted by the Board of Directors of the Company in accordance with Section 177 of the Act and Regulation 18 of LODR Regulations.

"**Company**" the words "This Company", "The Company", "Company" wherever occur in the policy shall mean "IOL Chemicals and Pharmaceuticals Limited/ IOL".

"**Compliance Officer**" means "Company Secretary" of the Company.

"**Key Managerial Personnel (KMP)** shall have the meaning as defined in the Act, as amended from time to time.



**"Material Related Party Transaction"**, means a transaction / contracts with a related party where the transaction(s) to be entered into individually or taken together with previous transactions with a related party during a financial year, **exceeds Rs. 1000 crore or 10% (ten percent)** of the annual consolidated turnover of the Company as per last audited financial statements of the Company.

Notwithstanding the above, a 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 5% (Five percent) of the annual consolidated turnover** of the company as per the last audited financial statements of the company.

**"Materiality Threshold"** means limits for related party transactions beyond which the shareholders' approval will be required as specified in the Act and rules thereof and amendments thereto.

**"Policy"** means this policy, as amended from time to time.

**"Related Party"** will have the same meaning as defined under the Act and/ or the LODR Regulations and any amendments thereto, if any.

**"Relative"** in relation to a related party shall have the same meaning assigned to in the Act and any amendments thereto.

**"Related Party Transaction"** means all transaction(s) between the Company on one hand and one or more related party (ies) on the other hand including contracts, arrangements and transactions as envisaged in the Act and/or Regulation and LODR Regulations.

**"Subsidiary"** shall mean a subsidiary as defined under Section 2(87) of the Companies Act.

**"Industry Standards"** shall mean the Industry Standards on "Minimum information to be provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transaction (RPT)" as notified by SEBI vide its circular dated February 14, 2025.

Interpretation: Terms that have not been defined in this Policy shall have the same meaning assigned to them in the Act, LODR Regulations and/or any other SEBI Regulation(s) as amended from time to time. In case of any dispute or difference upon the meaning/interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final.

#### IV. IDENTIFICATION OF RELATED PARTY TRANSACTIONS

Every Director and Key Managerial Personnel shall, as may be applicable to them, provide a declaration containing the necessary details of related parties covered in the definition of Related Party and Relatives to the Company upon their appointment and on an annual basis thereafter. Also, every Director and Key Managerial Personnel shall provide declarations in a timely manner if there has been a change in the details from the last declaration made to the Company.



Company will identify Related Parties based on definition or criteria as provided under the Act, LODR Regulations or applicable accounting standards.

## V. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

### (A.) Approval of the Audit Committee

The related party transaction(s), whether fresh or subsequent 'Material Modification' in the existing transactions thereof, shall require prior approval of the Audit Committee of the Company, provided that only those members of the audit committee, who are independent directors, shall approve related party transactions as required under the Act/ LODR Regulations as amended from time to time.

Provided further that-

(a) 'Material Modification' means any modification to an existing Related Party Transaction, having of 20% of the existing limit

(b) a related party transaction to which the subsidiary of IOL is a party but the IOL is not a party, shall require prior approval of the **audit committee** of the IOL if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% (ten per cent) of the annual consolidated turnover, as per the last audited financial statements of the IOL.

(c) a related party transaction to which the subsidiary of IOL is a party but the IOL is not a party, shall require prior approval of the '**Audit Committee**' and '**Shareholders**' of the IOL if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% (ten per cent) of the annual standalone turnover, as per the last audited financial statements of the subsidiary of IOL.

(d) prior approval of the '**Audit Committee**' of IOL shall not be required for a related party transaction to which the listed subsidiary of IOL is a party but the IOL is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary of IOL.

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

(e) Transactions between 2 (Two) wholly owned (unlisted) subsidiaries of IOL, whose accounts are consolidated with the IOL and placed before the shareholders for approval in General Meeting of the IOL, shall not require prior approval of the '**Audit Committee**' and '**Shareholders**' of the IOL and also not eligible for the 'omnibus approval by Audit committee' as provisions of regulation 23 (2), (3) and (4) shall not be applicable in this case.

(f) The Audit Committee shall consider the following factors while determining whether to approve related party transactions or not:

- Nature of relationship with related party;
- Nature, duration of contract, material terms, monetary values and particulars of the contract or arrangement;



- Maximum amount of transaction that can be entered into;
- Any advance paid or received for the contract or arrangement
- Method and manner of determining the pricing and other commercial terms;
- Whether the transaction is at arm's length; and
- Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

Only Independent Directors on the Audit Committee shall approve RPTs.

At the time of approval, the Audit Committee shall consider a certificate presented by the Chief Executive Officer, Chief Financial Officer, or any Key Managerial Personnel of the Company, confirming that the proposed RPT(s):

- Are not prejudicial to the interests of public shareholders; and
- Are on terms no less favourable than if the transaction had been entered into with an unrelated third party.

This certificate shall be provided in accordance with prevailing industry standards.

(g) Furthermore, the Audit Committee may grant **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, subject to compliance with the following conditions:

- a) The Audit Committee shall lay down the criteria for granting the omnibus approval.
- 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
  - (iii) minimum information about the RPTs as per the provisions of the Industry Standards and
  - (iv) such other conditions as the Audit Committee may deem fit;Provided that where the need for RPT 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. 1 (One) crore per transaction.**
- d) Such omnibus approval shall be valid for a period not exceeding **one year** and shall require fresh approvals after the expiry of **one year**.
- e) Audit Committee shall review on a **quarterly basis**, the details of RPT entered into by the Company pursuant to each of the omnibus approval given.

## (B.) Approval of the Board of Directors of the Company

The following related party transactions shall further require approval of the Board, either prior to the transaction or approval / ratification within **three (3) months** from the date of transaction.

- 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:

Provided also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis.

Every contract or arrangement entered into shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

## (C.) Approvals of the Shareholders of the Company

If a Related Party Transaction is:

- (i) a material transaction as per Regulation 23 of the LODR Regulations and subsequent material modifications as defined by the audit committee, or
- (ii) not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds limit as prescribed under the Act and rules,

shall require prior **shareholders' approval** through resolution. In such a case, any member / entity of the Company who is a Related Party, shall not vote on resolution passed for approving such Related Party Transaction whether the entity is a related party to the particular transaction or not.

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

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

## (D.) Exemption from Approvals from Audit, Board and Shareholders of the Company

The provisions of sub-regulations (2), (3) and (4) of regulation 23 of LODR regulations as explained in detail above sub point (A) to (C) shall not be applicable in the following cases:

- (a.) transactions entered into between the IOL and its wholly owned subsidiary whose accounts are consolidated with IOL and placed before the shareholders at the general meeting for approval.
- (b.) transactions entered into between two wholly-owned subsidiaries of IOL, whose accounts are consolidated with IOL and placed before the shareholders at the general meeting for approval.

## VI. HANDLING THE RPT NOT APPROVED UNDER THIS POLICY

In the event any employee, officer or Director of the Company became aware of any transaction with related party being in deviation from the policy, such person shall promptly notify to the Compliance



Officer regarding such transaction. The Compliance Officer shall ensure that such transactions are brought to the notice of the Audit Committee, as early as possible but not later than the first Audit Committee meeting held after the date of such intimation.

The Audit Committee, shall evaluate such transaction and decide the action to be taken as it may consider appropriate including ratification, revision or termination of the RPT.

## VII. DISCLOSURES AND PUBLICATION

The Company shall submit to stock exchange disclosures of related party transactions every 6 (six) months on the date of publication of its standalone and consolidated financial results in the format as specified by the board from time to time, and publish the same on its website:

The contents of this policy as amended from time to time shall be displayed on the Company's website viz. [www.iolcp.com](http://www.iolcp.com)

The Audit Committee and the Board of Directors of the Company shall review the changes required in the policy on account of regulatory requirements once in 3 (three) years and may update / amend the same from time to time.