



POLICY ON RELATED PARTY TRANSACTIONS

1. INTRODUCTION

This policy is called **“GMM PFAUDLER LIMITED – POLICY ON RELATED PARTY TRANSACTIONS”** (hereinafter referred to as “Policy”), framed in compliance with the requirement of the Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) to comply with the provisions of Section 188 of the Companies Act, 2013 and Regulation 23 of the Listing Regulations.

2. OBJECTIVE

This Policy provides a framework for governance and reporting of Related Party Transactions including Material Related Party Transactions. It inter-alia encompasses process for identification of Related Parties, procedure for entering Related Party Transactions, approvals at various levels, omnibus approval by the Audit Committee, defining material modifications, disclosures and reporting obligations, etc.

3. MEANING OF TERMS USED

- a. **“Act”** means the Companies Act, 2013 including the rules, schedules, clarifications and guidelines issued by Ministry of Corporate Affairs from time to time.
- b. **“Applicable Laws”** includes (a) the Act and rules made thereunder as amended from time to time; (b) Listing Regulations, as amended from time to time; (c) Indian Accounting Standards; (d) any other statute, law, Industry standards, regulations or other governmental circulars, notifications or instructions (including circular, notifications, guidance issued by regulatory authorities from time to time) relating to Related Party Transactions as may be applicable to the Company.
- c. **“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.
- d. **“Audit Committee”** shall mean the Audit Committee of the Board of Directors or such other Committee as may be approved by the Board of Directors, from time to time, under the provisions of the Act and Listing Regulations.
- e. **“Board”** or **“Board of Directors”** refers to the Board of Directors of GMM Pfaudler Limited.
- f. **“Company”** or **“GMM Pfaudler”** means GMM Pfaudler Limited.
- g. **“Directors”** means the directors appointed to the Board of the Company.
- h. **“Holding Company”** means a company as defined under Section 2(46) of the Act.

- i. **“Key Managerial Personnel”** or **“KMP”** means the key managerial personnel as defined under Section 2(51) of the Act.
- j. **“Material Related Party Transactions”** refers to such transactions with Related Parties, entered individually or taken together with previous transactions during a financial year, which exceeds rupees one thousand crore or 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

A transaction involving payments made to a Related Party with respect to a brand usage or royalty shall be considered material if the said transaction entered 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.

- k. **“Material Modifications”** means any modification to an existing related party transaction, approved by the Audit Committee/ Board / Shareholders, as the case may be, exceeding 10% of the existing limits in terms of value of contract(s)/ arrangement(s).
- l. **“Related Party”** means a person or an entity defined as a related party under the Act or Listing Regulations.
- m. **“Relative”** means such persons as defined under Section 2(77) of the Act.
- n. **“Related Party Transactions”** means a transaction defined as a related party transaction under the Act or Listing Regulations.
- o. **“Subsidiary”** means a company as defined under Section 2(87) of the Act.
- p. **“Wholly owned subsidiary”** or **“WOS”** means a company or body corporate in which the Company holds directly or indirectly 100% of the shareholding or voting rights.

4. IDENTIFICATION OF RELATED PARTIES AND RELATED PARTY TRANSACTIONS

- (i) Every director and KMP of the Company and its Subsidiaries shall,
 - a. at the time of appointment;
 - b. annually; and
 - c. whenever there is any change in the information already submitted,

provide requisite information about his/her Relatives and all firms, entities, body corporates, in which such director or KMP is interested, whether directly or indirectly, to the Company.

- (ii) On the basis of the above, a consolidated list of Related Parties shall be prepared in accordance with the provisions of the Act and Listing Regulations.

- (iii) Potential transactions with the Related Parties, as per the above-mentioned list, shall be identified and a proposal with details shall be submitted for requisite approval.
- (iv) The Subsidiaries shall, from time to time, provide to the Company, information of any proposed Material Related Party Transactions and any Material Modification(s), for the purpose of obtaining requisite approvals from the Company.
- (v) The Subsidiaries shall provide to the Company, on a half-yearly basis, information regarding the transactions entered into with any of the Related Parties of the Company, or with any of its Subsidiaries, for making required disclosures to the stock exchanges.

5. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

5.1. Review and approval by Audit Committee:

- 5.1.1. Unless otherwise exempted under the Applicable Laws, all Related Party(s) Transactions and any subsequent Material Modifications shall be subject to the prior approval of the Audit Committee.
- 5.1.2. Related Party Transaction to which the Subsidiary of the Company is a party but the Company is not a party, 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;
- 5.1.3. The Audit Committee may grant omnibus approval for the RPTs, which are routine and repetitive in nature and which satisfy the criteria for omnibus approvals, as prescribed under the Act or Listing Regulations.
- 5.1.4. Such omnibus approval shall specify the name of Related Party, nature, period, maximum amount of transaction that can be entered into, the indicative base price or current contracted price and the formula for variation in the price, if any and such other information as required under Applicable Laws.
- 5.1.5. In case, the need for Related Party Transaction cannot be foreseen and the details are not available, the Audit Committee may grant omnibus approval for such transactions, subject to their value not exceeding Rupees One crore per transaction.
- 5.1.6. Such omnibus approvals shall be valid for a period not exceeding 1 (one) year and shall require fresh approvals after the expiry of 1 (one) year.

- 5.1.7. Only those members of the Audit Committee who are Independent Directors shall approve the Related Party Transactions. In case, any member of the Audit Committee has a potential interest in any Related Party Transaction, then he/she shall not participate in discussions or vote on the subject matter of such Related Party Transactions.
- 5.1.8. To review a Related Party Transaction, the Audit Committee shall be provided with all relevant material information pertaining to such Related Party Transaction along with details as required to be provided under Applicable Laws.
- 5.1.9. In determining whether to approve a Related Party Transaction, the Audit Committee will, inter alia, consider the following factors, to the extent relevant to the Related Party Transaction in question:
- a) Whether the Related Party Transaction is in the best interest of the Company;
 - b) Whether the terms of the Related Party Transaction are fair, and is an Arm's Length Transaction and in the ordinary course of business of the Company, and if the terms would be the same if the transaction did not involve a Related Party;
 - c) 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;
 - d) Whether the Related Party Transaction would affect the independence or would cause conflict of interest for any Director or KMP or a subsidiary of the Company;
 - e) Whether the proposed Related Party Transaction includes any potential reputational risk / governance risk / compliance risk issues that may arise as a result of or in connection with such Related Party Transaction.
- 5.1.10. As part of the process of reviewing Related Party Transactions, the Audit Committee shall ensure that supporting contracts for every Related Party Transaction are duly maintained and are in conformity with relevant transfer pricing norms;

5.2. Review and approval by the Board

- 5.2.1. All Related Party Transactions listed in clauses (a) to (g) of Section 188(1) of the Act and any amendments made thereof shall require the approval of the Board, except those Related Party Transactions which the Company enters in the ordinary course of business and on an arm's length basis.
- 5.2.2. Where any Director is interested in any contract or arrangement with a Related Party, such Director shall not participate in discussions or vote on the subject matter of such Related Party Transaction.

- 5.2.3. When the Board reviews Related Party Transactions as stated in paragraph 5.3.1, the considerations set forth in paragraphs 5.1.9 and 5.1.10 shall apply mutatis mutandis to the Board's review and approval of the matter, with such modifications as may be necessary or appropriate under the circumstances.

5.3. Review and approval by Shareholders

- 5.3.1. The following Related Party Transactions and subsequent Material Modification thereto, shall be subject to prior approval of shareholders of the Company, by way of a resolution:
- (i) All Material Related Party Transactions; and
 - (ii) Related Party Transactions which require approval of the shareholders, as per Applicable Laws.
- 5.3.2. The Audit Committee and the Board shall approve and recommend all Material Related Party Transactions and subsequent Material Modifications, before submitting the same for approval of the shareholders of the Company.
- 5.3.3. No Related Party shall vote to approve such a resolution, irrespective of whether the entity is a Related Party to the particular transaction or not.

6. MINIMUM INFORMATION IN ACCORDANCE WITH INDUSTRY STANDARDS

In accordance with the Industry Standards on Related Party Transactions issued by the Industry Standards Forum and applicable laws, management shall submit the proposed transaction details in the prescribed format to seek approval from the Audit Committee, Board of Directors, or Shareholders, as applicable.

7. EXEMPTION

The provisions of clause 5.1, 5.2, 5.3 and 9 shall not be applicable in the following cases:

- 7.1. Remuneration and sitting fees paid by the Company or its subsidiary to its directors, key managerial personnel or senior management, except who is a part of promoter or promoter group, shall not require approval of the Audit Committee provided that the same is not Material.
- 7.2. Related Party Transactions between Company and its wholly owned subsidiary; and
- 7.3. Related Party Transactions between two wholly owned subsidiaries of the Company.

8. INTERNAL AUDIT AND THIRD-PARTY REVIEW

- 8.1. Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company or its subsidiary pursuant to each of the omnibus approval given.

8.2. On a Quarterly basis, the Related Party Transactions entered into the Company to be reviewed by the Internal Auditor or any other recognized independent consultant.

8.3. On a half yearly basis, an arm's length certification on Related Party Transactions is to be obtained from independent chartered accountant.

9. RATIFICATION

The members of the Audit Committee, who are independent directors, may ratify Related Party Transactions, within 3 months from the date of transactions or in the immediate next Audit Committee meeting whichever is earlier, subject to the following conditions:

- a. the value of the ratified transaction(s) with a Related Party, whether entered into individually or taken together, during a financial year shall not exceed INR 1 crore.
- b. the transaction is not a Material Related Party Transaction rationale for inability to seek prior approval for the RPT shall be placed before the Audit Committee at the time of seeking ratification.
- c. the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of Regulation 23(9) of Listing Regulations.
- d. Failure to seek ratification of the Audit Committee shall render such transactions voidable at the option of the Audit Committee and if the transaction 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 the Company incurs.

The Audit Committee shall consider all relevant facts and circumstances regarding such Related Party Transaction, and evaluate all options available to the Company, including ratification or termination of the Related Party Transaction in question. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of internal control systems of the Company, including the failure to report such Related Party Transaction under this Policy, and take such steps as it may deem appropriate.

10. DISCLOSURE & REPORTING

10.1. This Policy shall be disclosed on the website of the Company and a weblink to the Policy shall be provided in Annual Report.

10.2. The Related Party Transactions shall be disclosed to the stock exchanges, on the website of the Company and in other statutory documents, in accordance with the Applicable Laws.



11. INTERPRETATION

Words, terms, and expressions used in this Policy and not defined herein shall have the same meaning ascribed to it in the Act, SEBI Act, 1992 or rules and regulations made thereunder, Listing Regulations or any other relevant legislation/law applicable to the Company.

In the event of conflict between the terms of this Policy and any provision in an applicable law, the provision of the applicable law shall prevail.



Document Control

All changes to the process document can be made only by the Document Owner.

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