

IST LIMITED

(CIN : L33301DL1976PLC008316)

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POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS

The listing agreement with Stock Exchanges mandates formulation of policy on transactions with Related Parties and dealing with Related Party Transactions. As Part of Corporate Governance practices, the Board of Directors of IST Limited has adopted the following policy and procedure with regard to Related Party Transactions.

This Policy shall be called as 'Policy on materiality of Related Party Transactions and dealing with Related Party Transactions':

Commencement: This Policy shall come into effect from 1st October 2014.

Purpose & Objective: Related Party Transactions have been one of the major areas of focus for the point of view of the best corporate governance practices as advocated and regulated by various corporate and securities laws.

This policy is based on the changes introduced in the Related Party Transaction Norms as provided particularly in Section 188 of the Companies Act, 2013 and the revised clause 49 of the listing agreement, as provisions enshrined in aforementioned section and clause, require the companies to have enhanced transparency, reporting and due process for approval of the Related Party Transactions.

One such requirement is that the companies are required to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

Definitions:

"Arms 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.

"Associate Company" means any other company, in which the 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, "significant influence" means control of at least twenty percent of total share capital, or of business decisions under an agreement.

"Audit Committee" means the audit committee constituted by the Board of Directors of the Company in accordance with applicable law, including the listing agreement and the Companies Act, 2013.

"Board" means the Board of Directors of IST Limited.

"Company" means IST Limited.

"Key Managerial Personnel" means Key Managerial Personnel of the Company in terms of the Companies Act, 2013 and the Rules made thereunder.

"Material Related Party Transaction" means a transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions with a Related Party during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

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

"Related Party" in relation to the Company means a party related with the Company in any of the ways as are laid down in:

1) Section 2(76) of the Companies Act, 2013:

A person or a close member of that person's family is related to a company if that person:

A. is a related party under Section 2(76) of the Companies Act, 2013 which are as follows:

- i) a director or his relative;
- ii) a 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 is a member or director;
- v) a public company in which a director or manager is a director or 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 under 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 ;
- ix) Director or key managerial personnel of the holding company or his relative with reference to a company; or

B. has control or joint control or significant influence over the company; or

C. is a key managerial personnel of the company or of a parent of the company; or

2) Applicable Accounting Standards:

- a. The entity is a related party under Section 2(76) of the Companies Act, 2013; or
- b. The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
- c. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
- d. Both entities are joint ventures of the same third party; or
- e. One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
- f. The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company; or
- g. The entity is controlled or jointly controlled by a person identified in (1).
- h. A person identified in (1)(b) has significant influence over the entity (or of a parent of the entity).

“Related Party Transaction” in relation to the Company means a transaction with a Related Party under the relevant provisions of the Companies Act, 2013 or the listing agreement or any other related law, regulation, standard etc.

“Relative” means relative as defined under the Companies Act, 2013 and includes any one who is related to another, if –

- i. They are members of a Hindu undivided family;
- ii. They are husband and wife; or.
- iii. Father (including step-father).
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son's wife
- vii. Daughter
- viii. Daughter's husband.
- ix. Brother (including step-brother).
- x. Sister (including step-sister)

Identification of Potential Related Party Transactions:

1) Identifying Related Parties, Updating and Maintaining the data base of such persons/ entities:

Each Director and KMP shall disclose to the Board, particulars of their related parties and Board will take note of the same. Each Director and KMP is required to provide a notice to the Board or Audit Committee of his direct interest or indirect interest through his/her Relative in any potential Related Party Transaction, including any additional information about the transaction that the Board or Audit Committee may reasonably require.

2) Identifying Ordinary Course of Business in relation to the Company and such person/ entities:

After indentifying the party as related one, Audit Committee or Board will see whether the transaction proposed to be entered constitutes as a transaction normally conducted by the company in its ordinary course.

3) Identifying the Related Party Transactions:

Audit Committee or Board will determine whether the transaction in consideration, constitutes a Related Party Transaction requiring compliance with this policy or not. The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Board or Audit Committee has adequate time to obtain and review information about the proposed transaction.

Related Party Transaction's Approval:

Audit Committee: All Related Party Transactions with effect from 1st October 2014 must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy prior to the event i.e. PRIOR APPROVAL is required from Audit Committee. The approval of the Audit Committee can be granted by way of a circular resolution. However, Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into with the Company which are repetitive in nature and are in ordinary course of Business and on Arm's Length Basis, subject to fulfillment of conditions contained in Clause 49 of the listing agreement.

Board: The Board shall approve such Related Party Transactions as are required to be approved under Companies Act, 2013 and/or listing agreement and/or transactions referred to it by the Audit Committee.

Where any director is interested in any Related Party Transaction, such director will abstain from discussion and voting on the subject matter of the resolution relating to such Transaction.

Shareholders: All Material Related Party Transactions shall require approval of shareholders of the Company through special resolution (unless it is exempted pursuant to the provisions of listing agreement) and the Related Parties shall abstain from voting on such resolution(s).

All Related Party Transactions (other than Material Related Party Transactions) pursuant to Section 188 of the Companies Act, 2013 which are not in the ordinary course of business or not an Arms' length transaction and cross the threshold limits prescribed under Companies Act, 2013 shall also require the approval of shareholders of the Company through special resolution and the Related Parties shall abstain from voting on such resolution(s).

The approval mechanism for Related Party Transactions shall be as stipulated in the provisions of listing agreement and/or Companies Act, 2013 and as amended from time to time.

Review and Monitoring of Related Party Transactions: Audit Committee shall review all Related Party Transactions entered into by the Company pursuant to any omnibus approval given on a quarterly basis. Any member of the Committee having interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

If the Committee 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 or it is mandatory under any law for Board to approve the Related Party Transaction, then all the procedures given above shall be applied to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the prevalent circumstances.

Post event approval or Related Party Transactions not approved in this Policy: After examining the reasons of non-reporting of any related party transaction, which ought to be presented for approval before the meeting of the Committee / to be approved through Circular Resolution, Committee shall take any remedial action as it deem appropriate. If any transaction with a related party has not been approved under this policy, then in such cases Committee will consider the facts and circumstances in which transaction was carried out. The Committee will evaluate such transaction taking in consideration of all available alternatives to the Company, and may ratify, modify or reject the transaction as the circumstances warrant.

Notification: The Policy shall be communicated to all operational employees and other concerned person of the Company. The new employees shall be informed about the policy by their reporting bosses. This policy, as amended from time to time, shall be made available on the website of the Company.

Amendment: The Company reserves its right to amend or modify this Policy in whole or in part as circumstances so warrants, or replace this Policy entirely with a new Policy at any time without assigning any reason whatsoever.