



## 1. Purpose

This Policy establishes a formal framework for identification, approval, documentation, disclosure, monitoring, governance and reporting of Related Party Transactions to protect the interests of the Company, its shareholders, and other stakeholders, and to ensure transparency, fairness, and regulatory compliance in accordance with the provisions of Section 208 of the Companies Act 2017 read with Regulation No. 15 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018 issued by the Securities and Exchange Commission of Pakistan.

## 2. Scope and Applicability

This Policy applies to transaction, contracts, or arrangements entered into by the Al Abbas Sugar Mills Limited with one or more of its Related Parties including;

- Directors, Chief Executive, key management personnel;
- Nominees for directors;
- Significant shareholders;
- Subsidiaries, associated companies, joint ventures;
- Close family members of the above; and
- Any other persons or entities deemed to be Related Parties under the Companies Act, 2017 or applicable accounting standards.

## 3. Definitions

- i. **Related party** as defined in section 208 of Companies Act 2017 includes
  - a) a director or his relative;
  - b) key managerial personnel or his relative; *key managerial personnel as defined in section 2 of Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018 mean the following;*
    - the Chief Executive Officer of the Company;
    - the Company Secretary of the Company;
    - the whole time Directors on the Board of the Company; and
    - the Chief Financial Officer of the Company.
  - c) a firm, in which a director, manager or his relative is a partner;
  - d) a private company in which a director or manager is a member or director;
  - e) a public company in which a director or manager is a director or holds along with his relatives, any shares of its paid up share capital;
  - f) any body corporate whose chief executive or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
  - g) any person on whose advice, directions or instructions a director or manager is accustomed to act *Provided that nothing in sub-clauses (f) and (g) shall apply to the advice, directions or instructions given in a professional capacity;*
  - h) any company which is:
    - a holding, subsidiary or an associated company of such company; or

- a subsidiary of a holding company to which it is also a subsidiary
- i) such other person as may be specified.  
*relative means spouse, siblings and lineal ascendants and descendants of a person.*
- ii. **Related Party Transaction (RPT)** (as defined in IAS 24) means any transaction directly or indirectly involving a Related Party, and involving a transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged. A transaction with a Related Party shall be construed to include a single transaction or a group of transactions in a contract.
- iii. **Office of profit** as defined in section 208 of Companies Act 2017 means any office
  - a) where such office is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
  - b) where such office is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- iv. **Arm's length transaction** as defined in section 4 of Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018 means a transaction which is subject to such terms and conditions and is carried out in a way, as if
  - a) the parties to the transaction were unrelated in any way;
  - b) the parties were free from any undue influence, control or pressure;
  - c) 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 business judgment as to what was in its interests; and
  - d) each party was concerned only to achieve the best available commercial result for itself in all the circumstances.

## 4. Policy Principles

In accordance with the requirements set out in Section 208 of the Companies Act 2017 read with Regulation No. 15 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018, the Company has the following policy.

### 4.1 Terms of the policy

The terms of reference for the Policy are as follows:

- a) The management may enter into any contract or arrangement with a Related Party only in accordance with the policy approved by the Board
- b) Subject to the requirements of section 208 of the Act and as per section 3 of Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018, the policy approved by the board shall be subject to the following minimum conditions, namely:

- i. minimum information required for the related parties with whom transactions are to be made including nature of related party relationship at the time of approval in board meetings or general meetings;
  - ii. limitations or conditions that may be applicable in case of certain or particular related party transactions;
  - iii. potential risks of related party transactions and mitigating measures;
  - iv. procedure to be followed in case of failure to present related party transactions for approval by the appropriate forum within prescribed time; (*Refer 4.3 (e)*)
  - v. pricing policy which may be Comparable Uncontrolled Price method, Resale Price method, Cost Plus method, Profit Split method or any other price method approved by the Board.
- c) The management shall present all Related Party transactions to the Audit Committee for their recommendation to the Board for approval; Provided where majority of the directors are interested in such transactions, the matter shall be placed before the general meeting for approval.
  - d) The Company will enter into RPT on a purely commercial basis and transactions between the Company and Related Party will preferably be on arm's length basis.
  - e) The management shall obtain approval of the Board for contracts that are not on arm's length basis or not in the ordinary course of business;
  - f) Management shall maintain records of the transactions undertaken with Related Parties.
  - g) If a director or any other employee enters into any contract or arrangement with a Related Party without obtaining the consent of the Board or approval by a special resolution in the general meeting, and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within 90 days from the date of the contract, such contract or arrangement shall be voidable at the discretion of the Board and if the contract or arrangement is with a related party to any director, or is authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it (*Section 208 (4) Companies Act, 2017*)

#### **4.2 Identification of Related Party Transactions**

- a) Management shall establish adequate systems and controls for identifying Related Parties and monitoring Related Party Transactions.
- b) Directors, key management personnel, and significant shareholders shall make periodic disclosures of their interests to enable proper identification of Related Parties.
- c) Every Director will be responsible for providing a notice containing the following information to the Board of Directors on an annual basis:
  - a firm, in which the director, manager or his relative is a partner;
  - a private company in which the director or manager is a member or director;
  - a public company in which the director or manager is a director or holds along with his relatives, any shares of its paid up share capital;
  - any body corporate whose chief executive or manager is accustomed to act in accordance with the advice, directions or instructions of the director or manager;
  - any person on whose advice, directions or instructions the director or manager is accustomed to act.

### 4.3 Approval Mechanism

a) **Transactions AT Arm's Length**

The related party transactions shall be placed before the Audit Committee (AC) and upon recommendations of the Audit Committee (AC) the same shall be placed before the Board for review and approval. (Refer Annexure A for Specimen).

The Audit Committee shall:

- Review all Related Party Transactions;
- Evaluate whether transactions are in the best interest of the Company;
- Monitor compliance with this Policy and applicable laws; and
- Report material Related Party Transactions to the Board

b) **Transactions NOT AT Arm's Length**

The related party transactions that are not conducted on Arm's length basis shall be conducted on the prices that are derived as per pricing mechanism approved by the board. (Refer 4.1 (b) of this policy)

The Management shall place every such transaction for approval along with the justification before the Audit Committee, and on the recommendation of the Audit Committee, each such transaction shall be separately placed at each meeting of the Board along with the information as presented in Annexure A & B.

The reasons for using a price other than the arm's length price shall be recorded in writing together with the information presented in the section 5 "Maintenance of records" shall be made in the register maintained in accordance with the relevant laws.

c) **Review And Approval Of Related Party Transactions With Directors' Or Other Related Parties' Interest.**

As per section 207 of Companies Act 2017, where majority of the Directors are interested in any RPT, the matter shall be placed before General Meeting for approval (Refer Annexure A & B for Specimen).

Interested Directors shall not vote on or participate in discussions of the Board or committees in relation to the RPTs in which they are interested. Where interested Directors have material pecuniary interest in any RPT, they will not take part in the proceedings during the time in which such RPTs are being considered, discussed and approved.

Presence of the interested Directors shall not be counted for the purposes of quorum for a Board meeting for such time as the RPT in which the Directors are interested are being considered, discussed, voted on or approved.

As per section 205 of Companies Act 2017, every Director who is in any way, whether directly or indirectly through his relatives and associated company(s), concerned or interested in any RPT entered into, or to be entered into, by or on behalf of the Company shall disclose the nature of his concern or interest at the Board meeting at which the matter is being considered, or if the interest arises subsequent to that meeting, the first meeting of the Board held after he becomes interested or concerned. For the purposes of this requirement, a

general notice given under Section 205 of the Act to the Board to the effect that a Director is concerned or interested shall be deemed to be sufficient notice.

d) **Disclosure and Approval of related party transactions**

The board shall approve related party transactions that require its approval and the following minimum information shall be circulated and disclosed to the directors along with agenda for board's meeting called for approval of related party transactions:

- Name of related party;
- Names of the interested or concerned persons or directors;
- 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;
- Detail, description, terms and conditions of transactions;
- Amount of transactions;
- Time-frame or duration of the transactions or contracts or arrangements;
- Pricing policy;
- Recommendations of the audit committee, where applicable; and

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.

e) **Procedure to be followed in case of failure to present related party transactions for approval**

In the event that a Related Party Transaction is not presented to the appropriate approving forum within the prescribed time, the following procedure shall apply:

- i. The transaction shall be immediately reported and placed before the Audit Committee (and where required, the Board or shareholders) for ratification at the earliest possible meeting, along with:
  - a. Reasons for the delay or omission;
  - b. Confirmation whether the transaction was conducted at arm's length and on normal commercial terms
- ii. Any related party involved in the transaction shall abstain from deliberation and voting during the approval or ratification process.
- iii. The lapse and corrective actions taken shall be documented in the Related Party Transactions Register and reported in the next Board meeting.

f) **Disclosure and Reporting**

Related Party Transactions shall be disclosed in the Company's financial statements in accordance with IFRS and applicable legal requirements. Details of Related Party Transactions shall be disclosed in the Directors' Report and corporate governance disclosures, as required under the Code of Corporate Governance.

## **5. Maintenance of Records**

In accordance with the Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018, the Company shall maintain a party-wise record of all Related Party Transactions, including:

- Name of the Related Party;
- Nature of relationship;
- Description and nature of the transaction;
- Value and terms of the transaction;
- Pricing methodology;
- Whether the transaction is at arm's length basis. If not, a brief on deviation from arm's length
- Duration or validity period;
- Approvals obtained (Audit Committee, Board, shareholders, if applicable);
- No. of directors present in the meeting
- Directors voting in favor
- Directors voting against
- Directors remaining neutral
- Date of members' approval, if any
- Any other material information necessary for informed decision-making.

Name of the bodies corporate, firms or other association in which any director is having any concern or interest, the records shall at a minimum include:

- Names of the companies /bodies corporate/ firms/ association
- Name of the interested director
- Nature of interest or concern / change in interest or concern
- Shareholding (if any) [No. of shares & percentage]
- Date on which interest or concern arose / changed

These records shall be preserved for the period prescribed under applicable laws.

## **6. Disclosure of the Policy**

This Policy shall be disclosed on the website of the Company.

## **7. Compliance with the Company Law, Code and Rule Book**

In the event of any conflict between the provisions of this Policy and the Companies Act 2017 or any other statutory enactments, rules, the provisions of the Companies Act 2017 or statutory enactments, rules shall prevail over this Policy.

## **8. Review and Amendment**

This Policy shall be reviewed periodically by the Board of Directors and amended as necessary to ensure continued compliance with applicable laws and regulations.

Amendments, from time to time, to the Policy, if any, shall be considered and approved by the Board.



**AL-ABBAS SUGAR MILLS LIMITED**  
**TRANSACTIONS OR CONTRACTS WITH ASSOCIATED COMPANIES AND**  
**RELATED PARTIES POLICY**

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<b>Annexure A</b>						
<b>Transactions Conducted On Arms Length Basis</b>						
<b>Name of the Related Party</b>	<b>Nature of Relationship</b>	<b>Amount of Transaction</b>	<b>Amount due to/ by the Party</b>	<b>Nature of Transaction</b>	<b>Terms and Conditions of the Transactions</b>	<b>Business Rational for the Transactions</b>

**Annexure B**  
**Transactions Conducted Other Than On Arms Length Basis**

- Name of related party;
- Names of the interested or concerned persons or directors;
- 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;
- Detail, description, terms and conditions of transactions;
- Amount of transactions;
- Timeframe or duration of the transactions or contracts or arrangements;
- Pricing policy;
- Recommendations of the audit committee, where applicable; and
- 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.