

## **INTERNATIONAL INDUSTRIES LIMITED**

### **RELATED PARTY TRANSACTIONS & TRANSFER PRICING POLICY**

#### **OBJECTIVE:**

The objective of this Policy is to ensure that transactions with subsidiary, associated companies and other related parties are as required by the Companies Act 2017 ("Act"), the Listed Companies (Code of Corporate Governance) 2017 and Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018.

#### **POLICY:**

1. The Company will enter into transactions with Subsidiary, Associated Companies and other related parties on purely commercial basis. No undue consideration will be given on such transactions. The procedures and work instructions which are in force for procurement of goods and services will apply to transactions with related parties.

2. Transactions between the Company and a related party will be arm's length prices determined, as appropriate, in accordance with the pricing policies laid down below:

2.1 Pricing for goods and services traded between related parties should be in accordance with the methods relevant to the transaction, including any one of the folio wing:

2.1.1 Comparable Uncontrolled Price Method that is the comparison with prices charged in comparable transactions between independent parties.

2.1.2 Resale Price Method that evaluates whether the amount charged in a controlled transaction is arm's length by reference to the gross profit margin realized by the seller in comparable uncontrolled transactions.

2.1.3 Cost Plus Method which requires addition of a margin to the costs of producing or acquiring the relevant goods or services

2.1.4 Profit split method aims to determine the profit that independent enterprises would have expected to realize from engaging in the transaction and splits it on an economically viable basis.

2.1.5 Transactional Net Margin Method compares the tested party's net profitability on a controlled transaction to the net profit obtained by broadly similar uncontrolled companies on similar transactions.

3. Where the Company decides to use a price other than the arm's length price, the Audit Committee and the Board of Directors will approve it, the reasons for using a price other than the arm's length price will be recorded in writing and the following disclosure be made in the financial statements:

- The transactions between the Company and related parties have been measured at arm's length prices except for the transaction in question;
  - The transaction for which a price other than the arm's length price has been used, the reason therefore, the arm's length price that could have been applied and the price used; and
  - The financial impact of the departure from the arm's length price on the Company's net profit or loss, assets, liabilities, equity and cash flows for each relevant period presented.
4. The Board of Directors shall approve the transfer pricing policy for a related party transaction before such transaction is entered into.
  5. For each related party, the Company shall prepare a statement to record the methods for determining transfer prices of various types of transactions with such party.
  6. The Company shall maintain a party wise record of transaction and shall ensure that it includes the minimum information as prescribed by the Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018 as elaborately laid down in clause 5.6.1 of the procedures, in each quarter, entered into with related parties in that quarter along with the basis of each transaction.
  7. The record of all related party transactions shall be placed before the Board Audit Committee on a quarterly basis.
  8. Upon recommendation of the Audit committee the record of all related party transactions shall be placed before the Board of Directors for their review and approval.
  9. The related party transactions that are not executed at arm's length price shall be placed separately before the Audit Committee along with necessary justification for review and recommendation to the Board.
  10. The related party transactions that are not executed at arm's length price shall be placed separately before the Board of Directors along with necessary justification for consideration and approval of the Board.
  11. Annually, the management will seek Board approval for limits on transactions with subsidiary and associated undertakings. The actual transactions for the previous year will also be approved by the Board.
  12. It is further provided that where majority of the Directors are interested in such transactions the matter shall be placed before the general meeting for approval and record shall be maintained in the manner specified in the procedure.

13. Any related party transactions entered into by a Director or employee of the Company without obtaining the prior approval of the Audit Committee, Board or the/Shareholders in a general meeting, as may be applicable, may be ratified, by the Board or by the Shareholder's subject to the applicable provisions of the Companies Act 2017, within ninety (90) days. In the event it is not ratified within the prescribed period then such contract or arrangement shall be voidable at the option 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.
  
14. Every director shall, within a period of (30) thirty days of his appointment, disclose to the Company the particulars relating to his concern or interests which are required to be recorded in the form specified in Annexure — I.