



POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS

ideaForge Technology Limited

A. INTRODUCTION

As per Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 ("**Regulations**") as amended from time to time, requires a company to inter alia to formulate a policy on "**Policy on Materiality of and dealing with Related Party Transactions**" ("**the Policy**") (including clear threshold limits duly approved by the Board of Directors)

The Board of Directors (the "**Board**") of the Company has adopted the Policy to uphold the confidence of the stakeholders and to ensure a transparent mechanism that avoids potential or actual conflict of interest on transactions with related parties.

B. Definitions

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

"Arm's Length Transaction" means a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no question of conflict of interest.

"Associate Company" in relation to another Company, means a Company in which that other Company has a significant influence, but which is not a Subsidiary Company of the Company having such influence and includes a Joint Venture Company as per sub-section (6) of Section 2 of the Act.

Explanation: For the purpose of Associate Company (i) "Significant Influence" means control of at least 20% (twenty percent) of total voting power, or control of or participation in business decisions under an agreement; and (ii) "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

"Audit Committee or Committee": Audit Committee is the committee which is constituted by the Company pursuant to section 177 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 18 of the Regulations.

"Board" means Board of Directors of the Company.

"Body Corporate" or Corporation includes a Company incorporated outside India as per sub-section (11) of Section 2 of the Act, but does not include—

- (i) a co-operative Society registered under any law relating to Co-operative Societies; and
- (ii) any other Body Corporate (not being a Company as defined in this Act), which the Central Government may, by notification, specify in this behalf;

"Control" shall include the right to appoint majority of the Directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner as per sub-section (27) of Section 2 of the Act.

"Compliance Officer" means Company Secretary of the Company.

"Holding Company" in relation to one or more Companies means a Company of which such Companies are Subsidiary Companies as per sub-section (46) of Section 2 of the Act.

"Key Managerial Personnel" ("KMP") shall have the same meaning as defined in sub-section (51) of Section 2 of the Act.

"Material Related Party Transaction" shall mean a transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds Rupees One Thousand Crore or Ten percent of the annual consolidated turnover of the Company, whichever is lower, as per the last audited

financial statements of the Company or such sum as may be prescribed under the Companies Act 2013 or SEBI LODR Regulations, as amended from time to time.

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 five percent of the annual consolidated turnover of the Company as per its last audited financial statements or such sum as may be prescribed under the Companies Act or SEBI LODR Regulations, as amended from time to time.

“Material Modification” to a related party transaction shall mean any change or alteration to the existing related party transaction by an increase in consideration over 20% or an extension of time over 2 years of the Contract/arrangement as approved by Audit Committee or Board of Directors or Shareholders of the Company.

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

“Ordinary Course of Business (‘OCB’)” means a transaction which / wherein:

- ✓ is carried out in the normal course of business envisaged in accordance with the Memorandum of Association (‘MOA’) of the Company as amended from time to time, or
- ✓ is as per historical practice with a pattern of frequency, or
- ✓ is in connection with the normal business carried on by the Company, or
- ✓ the income, if any, earned from such activity/transaction is assessed as business income in the Company’s books of accounts and hence is a business activity, or
- ✓ is common commercial practice, or
- ✓ meets any other parameters/criteria as decided by the Board / Audit Committee.

“Related Party”, means:

(A) With reference to the Company:

- (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 or his relative is a member or director;
- (v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent. of its paid-up share capital;
- (vi) any body corporate whose Board, CEO or managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on 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;
 - c. an investing company or the venturer of the company

Explanation.—For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

- (ix) any person or entity as may be prescribed under applicable Accounting Standards;
- (x) such other person as may be prescribed.

- (B) Parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions as defined in the Accounting Standard 18 or such other entity/entities as may defined in the applicable accounting standard from time to time.
- (C) Any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company shall be deemed to be a related party.

“Relative” with reference to any person, means anyone who is related to another, if—

- (a) they are members of a Hindu Undivided Family;
- (b) they are husband and wife; or
- (c) A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-
 - i. Father (includes step-father).
 - ii. Mother (includes the step-mother).
 - iii. Son (includes the step-son).
 - iv. Son’s wife.
 - v. Daughter.
 - vi. Daughter’s husband.
 - vii. Brother (includes the step-brother)
 - viii. Sister (includes the step-sister).

“Related party transaction” means a transaction as prescribed under Regulation 2(1)(zc) of SEBI Listing Regulations and Section 188 of the Companies Act, 2013.

The following transaction shall be considered as related party transactions.

Transaction involving a transfer of resources, services or obligations between:

- a) the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- b) the Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries, with effect from April 1, 2023;

regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract.

The following transaction shall not be a related party transaction:

- a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- b) the following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.

“Securities” means the Securities as defined in clause (h) of Section 2 of the Securities Contracts (Regulations) Act, 1956.

“Subsidiary Company” or **“Subsidiary”**, as per the sub-section (87) of Section 2 of the Act, in relation to any other Company (that is to say the Holding Company), means a Company in which the Holding Company

- (i) Controls the composition of the Board of Directors; or
- (ii) Exercises or controls more than 1/2 (one-half) of the total voting power either at its own or together with one or more of its Subsidiary Companies.

“Office or Place of Profit” as per Section 188 of the Act means any office or place:

- (i) where such office or place 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;
- (ii) where such office or place 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.

All other words and expressions used but not defined in the Policy but defined in the SEBI Act, 1992, the Act, the Regulations, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and/ or the rules and regulations made thereunder shall have the same meaning as respectively assigned to them in such Acts or rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

C. Under the Act

All Related Party Transactions which are not in Ordinary Course of Business or not at an Arm's Length” and exceeding the prescribed criteria under Section 188 of the Act shall require prior approval of the Shareholders.

In addition to the above, all kinds of transactions specified under Section 188 of the Act as mentioned below need the approval of Shareholders:

- a. are not in the ordinary course of business or not at arm's length basis; and
- b. exceeds the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 (as amended from time to time).

No related party shall vote to approve the resolution whether the entity is a related party to the particular transaction or not.

D. Identification of Related Parties

The Related Parties of the Company would have to be identified and ascertained in light of the aforementioned definition of Related Party.

Each director and key managerial personnel of the Company shall disclose to the Company, a list of all persons, companies, firms, body corporates and other entities (together with their interest/holding thereunder) who/which would be categorized as a Related Party to the Company. The disclosure shall be submitted to the Company (i) at the time of appointment of such person to office; and (ii) at the first meeting of the Board held in every financial year, or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change.

The obligations of the directors and key managerial personnel of the Company to disclose their interest as required under the Act are in addition and not in substitution of the aforementioned obligations. In addition, the directors must give an undertaking that all business transactions

entered into between the Company and themselves comply with the terms of this Policy.

Similarly, the disclosure obligations of the directors and key managerial personnel hereunder would not supersede or prevail over the right and obligation of the Audit Committee to evaluate and determine whether a party is a Related Party, whose decision shall be final.

In order to determine potential Related Party Transactions, the Company shall at the beginning of a financial year, obtain from below entities about all such person/ parties which shall be considered as related parties of the Company as per Listing Regulations or Section 185 / 192 of Companies Act 2013, within 15 days from the end of the financial year and within 7 days from the date of change in latest disclosure given:-

- Every promoter of the Company,
- Member of promoter group,
- Director of the Company, and
- Key Managerial Personnel of the Company
- Holding Company/ parent of the Company
- Subsidiaries of the Company
- Associates of the Company, and
- Joint ventures of the Company

Both, the Company and the Subsidiary of the Company shall ensure that due approvals of the Audit Committee/Shareholders of the Company (*refer Section on 'Approval of RPTs' given ahead*) are in place before undertaking transactions with related parties of either of the companies.

Additionally, *with effect from April 01, 2023*, both the Company and the Subsidiary shall also ensure that due approvals of the Audit Committee/ Shareholders of the Company are in place before undertaking transactions with any person/entity, the purpose and effect of which is to benefit a related party of either of the companies.

E. Dealing with Related Party Transactions

The Board shall fulfill the function of monitoring and managing potential conflicts of interest of management, Board, and shareholders, including misuse of corporate resources and abuse in Related Party Transactions.

The Company shall comply with applicable provisions of the SEBI Listing Regulations, Companies Act and Rules made there under, the Listing Agreement and other applicable law in force from time to time in dealing with the Related Party Transactions.

F. Audit Committee

All Related Party Transactions shall require prior approval of the Audit Committee. Accordingly, all proposed Related Party Transactions must be reported to the Audit Committee for prior approval by the Committee.

The CFO of the Company shall provide to the Committee all relevant material information of all Related Party Transaction(s), including the terms of the transaction(s), the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters inter alia including the following::

- (i) the name of the related party and nature of relationship;
- (ii) the nature, duration of the contract and particulars of the contract or arrangement;
- (iii) the material terms of the contract or arrangement including the value, if any;
- (iv) any advance paid or received for the contract or arrangement, if any;

- (v) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (vi) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors;
- (vii) the persons/authority seeking the approval of the proposed transaction; and
- (viii) any other information relevant or important for the Committee to take a decision on the proposed transaction.

In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- (i) Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- (ii) Whether the Related Party Transaction would affect the independence of the Director/KMP;
- (iii) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction; and
- (iv) Whether the Related Party Transaction is in the nature of conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director or other Related Party, the direct or indirect nature of the Directors, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.
- (v) Whether there are any compelling business reasons / rationale for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;

Subject to the provisions of the applicable laws, the Audit Committee will have the discretion to approve/modify/recommend/refer the proposed Related Party Transaction for the approval of Board or shareholders.

And, in the event such transaction, contract or arrangement is not in the ordinary course of business or at arm's length, the Company shall comply with the provisions of the Companies Act 2013 and the Rules framed thereunder and obtain approval of the Board or its shareholders, as applicable, for such contract or arrangement.

G. Omnibus approval

All Related Party Transactions require approval of the Audit Committee. Audit committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions, namely-

- (a) the audit committee shall lay down the criteria for granting the 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;
- (b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;
- (c) the omnibus approval shall specify:
 - i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,
 - ii) the indicative base price / current contracted price and the formula for variation in the price if any; and
 - iii) such other conditions as the audit committee may deem fit:

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

- (d) the audit committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approvals given.

Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Board

A Related Party Transaction shall be approved by the Board by passing a resolution in this regard at a meeting of the Board, provided that Board approval is not required for any the Related Party Transaction(s) to be entered into in the ordinary course of business and on an arm's length basis.

Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

H. Shareholders

Transactions not in ordinary course of business or not at arm's length

All Related Party Transactions in excess of the limits prescribed under the Companies Act, 2013, and the SEBI Listing Regulations, as may be applicable, which are not in the ordinary course of business or not an Arms' length transaction shall also require the prior approval of the shareholders through special resolution and no member of the Company shall vote on such special resolution, if such member is a related party.

Material Related Party Transaction

All material Related Party Transactions shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions.

I. Exemption from Obtaining Approval for Related Party Transaction under Regulations

Notwithstanding the foregoing, but subject to the provisions of the applicable laws from time to time, this Policy shall not apply to the following Related Party Transactions and such Transactions shall not require approval of Audit Committee or Shareholders:

- (i) Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval;
- (ii) Any transaction that involves provision of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or that of any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business;
- (iii) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

J. Review

The Policy shall be reviewed by the Board at least once every three years and updated accordingly.

K. Disclosure

The Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the Annual Report of the Company.

L. Amendment

The Board shall have power to amend any of the provisions of the Policy, substitute any of the provisions with a new provision or replace the Policy entirely with a new Policy according to

subsequent modification(s)/amendment(s) to the Act and Regulations. The Board may, subject to applicable laws, also suspend or rescind this Policy at any time and in any case, the Policy shall be reviewed by the Board at least once every three years and updated accordingly. Any difficulties or ambiguities in the Policy will be resolved by the Board in line with the broad intent of the Policy. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Related Party Policy.

In the event of any conflict between the provisions of this Policy and of the applicable law(s) dealing with the Related Party Transactions, such applicable law(s) as may be in force from time to time shall prevail over this Policy.

This Policy is approved by the Board at its meeting held on December 14, 2022
