

**POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING WITH  
RELATED PARTY TRANSACTIONS**

**I. OBJECTIVE**

Section 188 of the Companies Act (*defined below*) and Regulation 23 of the SEBI LODR Regulations (*defined below*), require listed companies to have enhanced transparency and due process for approval of related party transactions. Additionally, the provisions of Regulation 23 of the SEBI LODR Regulations shall be applicable to all prospective related party transactions. Pursuant thereto, the Board of the Company (*defined below*) has formulated this policy on materiality of related party transactions and dealing with related party transactions (the “**Policy**”).

The Policy will come into effect from the date of commencement of trading and listing of the equity shares of the Company on a recognised stock exchange(s) in India.

**II. DEFINITIONS**

- (a) “**Arm’s Length Transaction**” shall mean a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- (b) “**Audit Committee**” means Audit Committee constituted by the Board of Directors of Company, from time to time, under Section 177 of the Companies Act, 2013 and Regulation 18 of SEBI LODR Regulations.
- (c) “**Board or Board of Directors**” shall mean board of directors of Company.
- (d) “**Companies Act**” means Companies Act, 2013, as amended and the rules notified thereunder.
- (e) “**Company**” shall mean Fractal Analytics Limited (previously known as Fractal Analytics Private Limited).
- (f) “**Key Managerial Personnel**” shall mean key managerial personnel as defined under Section 2(51) the Companies Act and the rules thereof, and includes:
  - (i) managing director or chief executive officer or manager;
  - (ii) whole-time director;
  - (iii) chief financial officer;
  - (iv) company secretary;
  - (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
  - (vi) such other officer as may be prescribed.
- (g) “**Material Modifications**” shall mean material modifications to related party transactions, having a variance of 25 % of the existing limit or Rs. 1 crore, whichever is higher.
- (h) “**Related Party(ies)**” shall have the same meaning as defined under Section 2(76) the Companies Act and SEBI LODR Regulations and
- (i) “**Related Party Transaction**” means the transaction as prescribed under Regulation 2(1)(zc) of SEBI LODR Regulations and Section 188 of the Companies Act, and Ind AS 24, and includes any Material Modifications.
- (j) “**Relative**” shall mean such person as defined in Section 2(77) of the Companies Act.
- (k) “**SEBI LODR Regulations**” shall mean Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended.

- (l) “**Subsidiary(ies)**” shall mean a subsidiary(ies) as defined under Section 2(87) of the Companies Act, as amended.
- (m) “**Unlisted Subsidiary(ies)**” means Subsidiary(ies) of the Company whose securities are not listed on any recognized stock exchanges.

### III. MATERIALITY THRESHOLD

Transactions between the Company and Related Parties shall be entered into in the manner that is compliant with the applicable provisions of the Companies Act and SEBI LODR Regulations.

The following transactions with the Related Party(ies) shall be treated as “Material”:

- any transaction(s) to be entered into individually or taken together with previous transactions during a financial year which exceeds Rs. 1,000 crore or 10% of the annual consolidated turnover of the Company as per the last consolidated audited financial statements of the Company under SEBI LODR Regulations, whichever is lower;
- any transaction involving payments made to a Related Party with respect to brand usage or royalty entered into individually or taken together with previous transactions during a financial year which exceeds 5% of the annual consolidated turnover of the Company as per the last audited consolidated financial statements of the Company under SEBI LODR Regulations, as amended from time to time.

### IV. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

The Company shall not enter into any Related Party Transaction unless it is approved by the appropriate authority. The table below lists the approval matrix applicable to such transactions:

Nature of Transaction	Approvals (Prior)		
	Audit Committee	Board	Shareholders
All transactions with Related Parties and subsequent material modifications	✓		
Material related party transaction and subsequent Material Modifications thereto	✓	✓	✓
Related Party Transactions as defined under Section 188(1) of the Companies Act, which are not in the ordinary course of business (OR) not at arm's length	✓	✓	
Related Party Transactions exceeding the materiality thresholds (regardless of whether they are in the ordinary course and/or on arm's length basis)	✓	✓	✓
All kinds of transactions specified under Section 188 of the Companies Act which exceeds the thresholds laid down under Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014, as amended (except transactions which are at arms' length and in ordinary course of business)			

#### (a) Approval of the Audit Committee

- (i) All Related Party Transactions and subsequent Material Modifications shall be placed before Audit Committee of the Company for its prior approval, as required under the provisions of the Companies Act and SEBI LODR Regulations. Only members of the Audit Committee of the Company, who are independent directors, shall approve Related Party Transactions. Accordingly, all proposed Related Party Transactions or Material Modifications must be reported to the Audit Committee for prior approval by the Committee. However, the members of the Audit Committee, who are independent directors, may ratify certain Related Party Transactions within three months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, subject to such transactions meeting certain conditions as specified under the Listing Regulations.

- (ii) The Company shall provide all information, as mandated by SEBI under its circular dated November 22, 2021 (as may be modified from time to time), for review by the Audit Committee for the purposes of approval of a proposed Related Party Transactions.
- (iii) A Related Party Transaction involving a Subsidiary, if any (to whom Regulation 23 does not apply) but not the Company itself, 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 consolidated turnover, as per the last audited financial statements of the Company or , 10% of annual standalone turnover as per the last audited financial statements of the subsidiary.
- (iv) The Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliance with the following conditions:
  - The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature;
  - The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;
  - The omnibus approval shall specify:
    - the name(s) of the related party(ies), nature of transaction(s), period(s) of transaction(s), maximum amount(s) of transaction(s) that shall be entered into;
    - the indicative base price/ current contracted price and the formula for variation in the price, if any; and
    - 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, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1,00,00,000 (Rupees one crore) per transaction.
- (v) The Audit Committee shall review, at least on a quarterly basis, the details of the Related Party Transactions entered into by the Company or its subsidiary pursuant to each of the omnibus approvals given.
- (vi) Such omnibus approvals shall be valid for a period not exceeding one financial year or one year, whichever is earlier, and shall require fresh approvals after the expiry of such period, as applicable.
- (vii) In case of a transaction, other than transactions referred to in Section 188 of the Companies Act and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board.
- (viii) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertakings of the Company.
- (ix) A Related Party Transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for ratification, subject to compliance with the provisions of Companies Act and SEBI LODR Regulations.

Further, the Audit Committee shall also review the status of long-term (more than one year) or recurring Related Party Transactions on an annual basis.

**(b) Approval of the Board**

All transactions specified under Section 188 of the Companies Act, which are not in the ordinary course of business and/ or not on arm's length basis, would mandatorily be required to be placed before the Board for its consideration and approval.

In addition to the above, the following kinds of transactions with Related Parties shall also be placed before the Board for its approval:

- (i) Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/ or arm's length basis and decides to refer the same to the Board for its consideration and approval;
- (ii) Transactions which are in the ordinary course of business and at arm's length basis, but for which in the Audit Committee's view require Board's approval;
- (iii) Transactions meeting the materiality threshold laid down in this Policy which is intended to be placed before the Shareholders for approval; and
- (iv) Transactions in respect of selling or disposing of the undertaking of the Company.

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.

**(c) Approval of the Shareholders**

- (i) All the transactions with Related Parties meeting the materiality threshold and subsequent Material Modifications laid down in this Policy, shall be placed before the Shareholders for approval. No Related Party shall vote to approve such resolutions whether the entity is a Related Party to the particular transaction or not.
- (ii) In addition to the requirements of the Companies Act, the Company shall provide all information, as mandated by SEBI under its circular dated November 22, 2021 (as may be modified from time to time), for review by the shareholders for the purposes of approval of a proposed Related Party Transactions.
- (iii) Shareholders' approval would not be required for a Related Party Transaction to which the listed subsidiary is a party but the Company is not (in case Regulation 23 and sub-regulation (2) of Regulation 15 of the SEBI LODR Regulations are applicable to such listed subsidiary).
- (iv) All kinds of transactions specified under Section 188 of the Companies Act which exceeds the thresholds laid down under Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014, as amended, shall be placed before the Shareholders for its approval.

The shareholder approval obtained for a Related Party Transaction in an annual general meeting shall be valid till the subsequent annual general meeting is held by the Company, for a maximum period of 15 months. A shareholder approval obtained in any other general meeting shall not be valid for more than a year.

These requirements shall not apply in respect of a resolution plan approved under Section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

**V. TRANSACTIONS WHICH DO NOT REQUIRE APPROVAL**

The following Related Party Transactions shall not require prior approval of Audit Committee or Board or Shareholders, unless the Companies Act require otherwise:

- (a) Any transaction(s) between the Company and its wholly owned subsidiary(ies) whose accounts are consolidated with the accounts of the Company and placed before the shareholders at the general meeting for approval.
- (b) Any transaction entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- (c) Any transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of SEBI Listing Regulations are applicable to such listed subsidiary.
- (d) Any transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand.

## **VI. DISCLOSURE**

- (a) The Company shall disclose, in the Board's report, transactions, prescribed in Section 188(1) read with Section 134 of the Companies Act, with the Related Parties, along with the justification for entering into such transaction.
- (b) The details of Material Related Party Transactions will be included in the quarterly corporate governance reports which are required to be submitted to the stock exchanges within 21 days from the end of each quarter.
- (c) The Company shall disclose this Policy on its website and a web link thereto shall be provided in the annual report of the Company.
- (d) The Company shall submit to the stock exchanges disclosures of Related Party Transactions in the format as specified by SEBI from time to time, and publish the same on its website. The Company shall make such disclosures every 6 months (in the format prescribed by SEBI under its circular dated November 22, 2021) within 15 days from the date of publication of its standalone and consolidated financial results and with effect from April 1, 2023, the Company is required to make such disclosures every 6 months on the date of publication of its standalone and consolidated financial results.

## **VII. CONFLICT IN POLICY**

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

## **VIII. AMENDMENT**

Any subsequent amendment/ modification in the Companies Act, SEBI LODR Regulations and/or other applicable laws in this regard shall automatically apply to the Policy.

## **IX. REVIEW**

This Policy shall be reviewed by the Board at least once every three years or within a lesser time period as the Board may deem fit.