

1. BACKGROUND AND PURPOSE

- 1.1 Aisha Steel Mills Limited (ASML), a manufacturing concern, enters into transactions with Associates and other Related Parties to meet its business objectives. Thus, Related Party Transactions are indispensable for the Company. A Related Party may have potential or actual conflicts of interests, or the perception thereof. ASML has always followed the highest standards of ethics, governance and transparency to conduct its business activities including Related Party Transactions adhering to an appropriate governance framework. ASML ensures that its Related Party Transactions are in the best interest of the Company and the relationship with Related Parties does not in any way influence the transactions.
- 1.2 A new section on Related Party Transactions had been introduced in the Companies Act, 2017 (CA-2017) setting out mechanism for all Related Party Transactions. The definition of Related Parties is at variance with definition in IAS 24 – Related Party Disclosures which is more principle based. As compared to the requirement of the Listed Companies (Code of Corporate Governance) Regulations, 2017 (CCG-2017), the provisions of Act in relation to Related Party Transactions are applicable on every company. Recently, the Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018 (RPTR-2018) have also been promulgated to formulate a process in connection with Related Party Transactions.
- 1.3 CA-2017, RPTR-2018 and CCG-2017 prescribe comprehensive regulatory framework governing the Related Party Transactions. These also require the companies to adopt comprehensive policy on dealings or transactions or contracts with associates and related parties.
- 1.4 In the context of above, and in compliance with above referred statutes, the Board of Directors of ASML is adopting this **Policy on Transactions with Related Parties** (Policy).
- 1.5 The Company through this Policy endeavors to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company, and also lay down procedures and mechanism for identification, approval, review, reporting, obligations and disclosures of such transactions.

2. IMPORTANT DEFINITIONS

In this Policy, unless there is anything repugnant in the subject or context :

- (a) **“Act”** or **“CA-2017”** means the Companies Act, 2017;
- (b) **“arm’s length transaction”** means a transaction that is carried out in a way, as if-
 - (i) the parties to the transaction were unrelated in any way;
 - (ii) the parties were free from any undue influence, control or pressure;
 - (iii) 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 judgement as to what was in its interests; and
 - (iv) each party was concerned only to achieve the best available commercial result for itself in all the circumstances.
- (c) **“Code”** or **“CCG-2017”** means the Listed Companies (Code of Corporate Governance) Regulations, 2017
- (d) **“Key Managerial Personnel”**, in relation to a company, means—
 - (i) the chief executive or the managing director or the manager;
 - (ii) the company secretary;
 - (iii) the whole-time director; and
 - (iv) the chief financial officer;
- (e) **“Manager”** means an individual who, subject to the superintendence, control and direction of the board, has the management of the whole of the affairs of a company, and includes a director or any other person, by whatever name called, whether under a contract of service or not.
- (f) **“Related Party”** includes
 - (i) a director or his relative (*spouse, siblings and lineal ascendants and descendants*);
 - (ii) a key managerial personnel or his relative (*spouse, siblings and lineal ascendants and descendants*);

- (iii) a firm, in which a director, manager or his relative (*spouse, siblings and lineal ascendants and descendants*) 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 alongwith his relatives (*spouse, siblings and lineal ascendants and descendants*), any shares of its paid up share capital;
- (vi) 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;
- (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 associated company of such company; or
 - (B) a subsidiary of a holding company to which it is also a subsidiary;

- (ix) such other person as may be specified;

- (g) **“Regulations” or “RPTR-2018”** means the Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018

Words and expressions used but not defined in this Policy shall, unless there is anything repugnant in the subject or context, have the same meanings as assigned to them in the Act, the Securities Act, 2015, the Securities and Exchange Commission of Pakistan Act, 1997, the Code or the Regulations.

3. INTERPRETATION

- 3.1 In any circumstances, where the terms of the Policy differ from any existing or enacted or prevalent Law(s), Rule(s), Regulation(s), Statute(s) governing the Company, then such Law(s), Rule(s), Regulation(s) or Statute(s) shall prevail over this Policy.
- 3.2 In case of any dispute or difference upon the meaning / interpretation of any provision in the Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final. In interpreting such term / provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.

4. PRICING POLICY - ARM'S LENGTH PRINCIPLE

The Arm's length principle is that the Price / Amount charged by one Related Party to another for a given product / service / contract / facility must be the same as if the parties were not related. Therefore an arm's-length Price for all Related Party Transactions should be the market price prevalent at the time of transaction for similar transactions. Where no transactions similar to the transaction is executed in the market, the arm's-length Price shall be such as determined by the majority of (i) Chairman of the Board, (ii) Chief Executive and (iii) the Chairman of Audit Committee.

5. LIMITATIONS / CONDITIONS ON RELATED PARTY TRANSACTIONS

- 5.1 Transaction with Related Parties to be done at Arm's Length and no undue advantage is given or taken on such transactions. The interest of the Company, however, remains supreme while entering into any transaction / contracts with the associated companies and Related Parties.
- 5.2 No director of the Company shall, as a director, take any part in the discussion of, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of the Company, if he is in any way, whether directly or indirectly, concerned or interested in the contract or arrangement, or has a conflict of interest therein in terms of the Act, nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void.
- 5.3 A director who has a material personal interest in a matter that is being considered at a board meeting shall not be present while that matter is being considered.

6. REVIEW OF RELATED PARTY TRANSACTIONS BY AUDIT COMMITTEE

- 6.1 The Board has determined that, to mitigate any potential risk in connection with Related Party Transactions, the Audit Committee of the Board is best suited to review all such transactions.
- 6.2 Internal Audit Department shall assume central responsibility for compliance of the related regulations and shall assist the Audit Committee and the Board in discharging their responsibilities as are assigned through CA-2017, RPTR-2018 and CCG-2017. For this purpose, Internal Audit Department to conduct awareness sessions amongst the relevant employees in connection with Related Party Transactions and ensure its compliance.
- 6.3 The following details of all Related Party Transactions shall be placed periodically before the Audit Committee of the Company, and upon recommendations of the Audit Committee, the same shall be placed before the Board for its review and approval, where mandated.
- (a) name of related party;
 - (b) names of the interested or concerned persons or directors;
 - (c) 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;
 - (d) detail, description, terms and conditions of transactions;
 - (e) amount of transactions;
 - (f) timeframe or duration of the transactions or contracts or arrangements;
 - (g) pricing policy;
 - (h) recommendations of the audit committee, where applicable; and
 - (i) 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.
- 6.4 In case any transaction is identified as not being executed at an Arm's Length Price / Arm's Length Basis in the ordinary course of business, the same shall also be placed separately at each board meeting along with necessary justification on recommendation of the Audit Committee of the Company. The requirements of the Section 208 of the Act and Clause 3(1) of the Regulations is to be taken into account and complied by the Board for approval of such transactions.

7. APPROVAL OF RELATED PARTY TRANSACTIONS BY THE COMPANY

- 7.1 Save as provided in 7.2 below, all Related Party Transactions entered by the Company shall be reviewed by the Audit Committee and approved by the Board on quarterly basis.
- 7.2 If majority of the directors are interested in, any contract or arrangement entered into, or to be entered into, by or on behalf of the Company, the matter shall be laid before the general meeting for approval.

8. DISCLOSURES

- 8.1 In line with the directions of Section 205 of the Act, a director must disclose at a meeting of Board, the details of his interest or concern in a contract or arrangement entered into or to be entered into, in case he, his spouse, parents or children, directly or indirectly, are interested in such contract / arrangement.
- 8.2 No other officer of a company can enter into any contract or arrangement in which he is directly or indirectly concerned or interested, unless he discloses the nature and extent of his interest and obtains the prior approval of the Board.
- 8.3 Every contract or arrangement pertaining to a Related Party Transaction which is not entered by the Company in its ordinary course of business on an arm's length basis, shall be referred to in its Directors' Report to the shareholders along-with the justification for entering into such contract or arrangement.
- 8.4 Every director shall, within a period of thirty days of his appointment, or relinquishment of his office, as the case may be, disclose to the company the particulars as per following format relating to his concern or interest in the other associations for inclusion in a prescribed register and maintenance of record by the Company.

Sr. No.	Names of the companies /bodies corporate/ firms/ association	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
(1)	(2)	(3)	(4)	(5)

9. IDENTIFICATION OF A RELATED PARTY

Each Head of Department (HoD) of the Company shall be forwarded with the details provided by Directors, Key Managerial Person or Manager with reference to their associations and / or relatives. HoDs shall monitor and report to Chief Executive Officer and Chief Financial Officer if any transaction between the Company and any Related Party is to be entered through respective department. Further, any employee or director of the Company can consult the Head of Internal Audit, Chief Financial Officer or Company Secretary for identification and disclosure, in case where they are uncertain if a transaction is a Related Party Transaction or not; and to determine whether a Related Party Transaction requires Audit Committees' recommendation for Boards' approval or Shareholders' approval at General Meeting.

10. FAILURE TO PRESENT RELATED PARTY TRANSACTIONS FOR APPROVAL

- 10.1 In the event the any employee of the Company becomes aware of a Related Party Transaction entered by any director or officer, which was executed without requisite approval by the relevant forum under this Policy, such employee shall promptly notify the matter to Chairman and Chief Executive Officer of the Company, either directly or through Chief Financial Officer, Company Secretary or Head of Internal Audit.
- 10.2 In case less than 90 days have been passed since execution of such transaction as referred in 10.1, Chairman and Chief Executive Officer of the Company may recommend for ratification of the same by the relevant forum. In any other case, the matter shall be referred to Board to consider whether the transaction should be ratified or rescinded or other action to be taken.

11. MAINTENANCE OF RECORDS

In connection with Related Parties Transactions and Interest of Directors and Officers, the Company shall maintain such registers and records on such formats as prescribed under CA-2017, RPTR-2018 and CCG-2017, and such registers and records shall be kept in the custody of the Company Secretary.