

CENTURY PAPER AND BOARD MILLS LIMITED

RELATED PARTY POLICY

1. Background

Section 208 of the Companies Act, 2017 (the “**Act**”) read with the Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018 (the “**relevant laws**”) requires that the Board of Directors (the “**Board**”) of a listed company shall define and adopt policy for review and reporting of related party transactions.

2. Purpose

This policy is intended to ensure timely identification, approval and reporting of transactions between Century Paper and Board Mills Limited (the “**Company**”) and its Related Parties.

Related party transactions (“**RPT**”) are appropriate only if they reflect economic substance. These transactions should be on arm’s length basis and in the ordinary course of business. However, if in case the Company believes there is any benefit in entering into a related party transaction other than on arm’s length basis, the Company must ensure that the terms are in the best interest of the Company and that the requirements of relevant laws and this policy are met.

3. Definitions

For the purposes of this Policy:

(i) “Related Party” shall have the same meanings ascribed to it in Section 208(1)(c) of the act which includes:-

- a. a director of the Company (“Director”) or his relative;
- b. a key managerial personnel of the Company or his relative;
- 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 except advice, directions or instructions given in a professional capacity;
- h. any company which is—
 - i. a holding, subsidiary or an associated company of such Company; or
 - ii. a subsidiary of a holding company to which it is also a subsidiary;
- i. such other person as may be specified by the Securities and Exchange Commission of Pakistan.

(ii) Related Party Transaction or RPT 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

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transactions in a contract.

4. Policy

The Company will enter into RPT on a purely commercial basis:-

- a. The Company will not enter into RPTs on an undue consideration being given or received on such transactions (and with duress or collusion).
- b. The Company's procedures and work instructions which are in force from time to time, for procurement of goods and services from unaffiliated and unrelated parties, will also apply to RPTs.
- c. Transactions between the Company and Related Party will preferably be on arm's length basis. Transactions shall be characterized as an "arm's length transaction", only if it is carried out in a way, as if-
 - the parties to the transaction were unrelated in any way;
 - the parties were free from any undue influence, control or pressure;
 - 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
 - each party was concerned only to achieve the best available commercial result for itself in all the circumstances.
- d. The prices will be determined as arms length in case RPT is conducted in accordance with (c) above or as approved by the Board.

4.1 REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS CONDUCTED ON ARM'S LENGTH BASIS

- i. The details of RPTs shall be placed periodically before the Audit Committee of the Board and upon recommendation of the Audit Committee the same shall be placed before the Board for review and approval (*Refer Annexure A for Specimen*).

4.2 REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS WITH DIRECTORS' OR OTHER RELATED PARTIES' INTEREST

- i. Where majority of the Directors are interested in any RPT, the matter shall be placed before the Audit Committee, Board of Directors and General Meeting for approval by special resolution (*Refer Annexure A & B for Specimen*).
- ii. 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

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proceedings during the time in which such RPTs are being considered, discussed and approved.

- iii. 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.
- iv. 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.
- e. Related party transactions which are not conducted on arms length basis and/or with the director's interest shall be referred to in the Board's report to the shareholders along-with the justification for entering into the contract or arrangement.

4.3 Review and Approval of RPTs on a Price other than in the arm's length basis

- a. The related party transactions that are not conducted on arms length basis shall be conducted on the prices that are derived as per pricing mechanism approved by the board.
- b. 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 along with the information as presented in Annexure A & B.
- c. 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.

4.4 Limitation and Conditions

The Board may impose such limitation or conditions in case of particular RPT, as they deemed appropriate in the best interest of the Company.

4.5 Mitigation

The mitigating measures put in place by the Company to counter risks associated with the Related Parties and the Related Party Transactions including the risk of unidentified related parties and/or RPT include:

- Identification by the management of the Related Parties by requesting key managerial personnel to advise the Company of the names of companies and other entities on which they are directors or hold key managerial position or have control for the purpose of the relevant laws together with details of their relatives and of any company or entity of which

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they are actually aware that such relative has control.

- Highlighting all contracts and arrangements with such Related Parties to Audit Committee of the Board and Board.
- Review of the proposed contract by the Finance and Legal function of the Company. The review will consider whether the proposed contracts are on the arm's length basis and in the ordinary course and whether shareholders' approval will be required.
- Quarterly review of the RPTs by internal audit function and Audit Committee of the Board.
- Management (Finance and Legal function) to present RPTs and recommendations of the Audit Committee before the Board for approval and where required by the relevant laws, for shareholder's approval.

5. Maintenance of Records

In order to comply with requirement set out by the relevant laws, the Company shall maintain a party wise record of transactions, in each financial year, entered into with related parties in that year along with all relevant documents and explanations. The record of related party transactions shall include the following particulars in respect of each transaction:

- Date of contract or arrangement
- Name of the party with which contract is entered into
- Principal terms and conditions
- Reference of specific items - (a) to (f) under sub-section (1) of section 208, if applicable
- Amount of contract or arrangement
- Name of the interested director
- Nature of concern or interest or change therein and relation with the party
- Monetary value of interest, if reasonably quantifiable,
- Extent of interest, if its monetary value is not reasonably quantifiable
- Whether the transaction is at arm's length basis. If not, a brief on deviation from arm's length
- Date of approval at the meeting of the board
- No. of directors present in the meeting
- Directors voting in favor
- Directors voting against
- Directors remaining neutral
- Date of members' approval, if any
- Upon cessation of the Contract / Arrangement, it's status to be mentioned in this column
- Remarks

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

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- Shareholding (if any) [No. of shares & percentage]
- Date on which interest or concern arose / changed

6. Disclosure and reporting of RPTs

The Board's report to the shareholders shall contain such details of related party transactions as may be statutorily required to be resorted. Details of all related party transactions shall be disclosed quarterly along with the compliance report on corporate governance, in accordance with the listing regulations and relevant laws.

7. Disclosure of the Policy

This Policy shall be disclosed on the website of the Company and a link shall also be provided in the Annual Report.

8. Compliance with the Company Law, Code and Rule Book

In the event of any conflict between the provisions of this policy and the provisions of relevant laws, Rule Book of Pakistan Stock Exchange, Code of Corporate Governance and such other statutory enactments, rules shall prevail over this policy.

9. Publication of Charter/ Policy:

A copy of this charter/Policy is available at www.centurypaper.com.pk. This charter is to be made available to shareholders of the Company upon request.

Version No. 1

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

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.