



grit

RELATED PARTY TRANSACTION POLICY



POLICY	ISSUE DATE	VERSION	DEPARTMENT	APPROVED BY	Date Approved
P-Comp_RPT	June 2021	No. 6	Risk & Compliance	Responsible Business Committee	August 2023

REVISION HISTORY:

POLICY	ISSUE DATE	VERSION	CUSTODIAN	DEPARTMENT	APPROVED BY
RELATED PARTY TRANSACTIONS POLICY	April 2019	1.0	Group Risk and Audit Officer	RISK MANAGEMENT	Responsible Business Committee on 11 February 2019 and Board on 4 April 2019
RELATED PARTY TRANSACTIONS POLICY	June 2020	2.0	Chief Operating Officer	Risk & Compliance	Responsible Business Committee on 4 June 2020 and Board on 5 June 2020
RELATED PARTY TRANSACTIONS POLICY	October 2020	3.0	Chief Operating Officer	Risk & Compliance	Responsible Business Committee on 22 October 2020 and Board on 23 October 2020
RELATED PARTY TRANSACTIONS POLICY	October 2020	3.0	Chief Operating Officer	Risk & Compliance	Responsible Business Committee on 22 October 2020 and Board on 23 October 2020
RELATED PARTY TRANSACTIONS POLICY	June 2021	4.0	Chief Operating Officer	Risk & Compliance	Responsible Business Committee on 17 May 2021 and Board on 2 June 2021
RELATED PARTY TRANSACTIONS POLICY	January 2023	5.0	Group Compliance	Risk & Compliance	Responsible Business Committee
RELATED PARTY TRANSACTIONS POLICY	August 2023	6.0	Group Compliance	Risk & Compliance	Responsible Business Committee



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1. PURPOSE

The purpose of this policy (“Policy”) is to define related party transactions conducted by Grit Real Estate Income Group Limited (“Grit”) and its subsidiaries (collectively the “Grit Group”) and to set out prudent procedures for approving and disclosing related party transactions (**RPT(s)**).

2. SCOPE OF APPLICATION

The Policy applies to the whole Grit Group and all other operations within the business in relation to RPTs.

3. POLICY STATEMENT

The Company acknowledges the risks presented by its operations in the multiple jurisdictions in which it operates. As a business that transacts in multiple-currencies across Africa, the company is exposed to various risks that need to be proactively managed.

4. MAIN OBJECTIVES OF THE POLICY

This Policy is relevant to each entity falling under the ultimate holding entity, presently being Grit Real Estate Income Group Limited.

The regular approval forum for RPTs not requiring an announcement or shareholder approval under the UK Listing Rules or SEM Listing Rules shall be obtained from the RPT Committee, as outlined below, and for RPTs requiring an announcement or shareholder approval shall be obtained from the Board.

The Policy has the following main objectives:

- To ensure that Grit identifies and manages its RPTs;
- To ensure that the RPTs are duly approved;
- To ensure adequate processes and procedures for disclosing all RPTs are in place;
- To ensure that this Policy is reviewed at appropriate intervals;
- To ensure that the related party register is updated to ensure compliance with laws, rules, regulations, standards and codes of Corporate Governance and that accordingly the register is reviewed by the Board; and
- To ensure that the Board takes decisions independently in line with the applicable laws, rules, regulations, standards and codes of Corporate Governance.

5. REVIEW OF THE POLICY

The Board will review the Policy annually, which will include an assessment of the effectiveness of the Policy and of the related party register. The Board will also discuss any revisions that may be required and recommend any revisions to the Board for approval.

6. BREACH OF POLICY

The owner of this Policy is the Head of Responsible Business (HRB). Upon occurrence of a breach and as soon as it is known, the HRB shall immediately inform the Chief Executive Officer (CEO) of Grit and shall propose the action to rectify the breach.



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The Board shall be kept informed of such breaches and remedial actions on a quarterly basis. Decisions taken by the CEO and/or management shall be ratified at each Board meeting. A register of breaches will be maintained by the HRB.

7. APPROVAL OF RPTS

The Board has responsibility for the approval of any RPT where shareholder approval is required or where an announcement is required under the UK Listing Rules or SEM Listing Rules. The Board has delegated the responsibility and approval for any RPT where no shareholder approval or an announcement is required under the UK Listing Rules or SEM Listing Rules to the RPT Committee, comprised of the Chair of the Company’s Responsible Business Committee, any executive director and any non-executive directors of the Company (the “Member(s)”). Alongside the Chair of the Company’s Responsible Business Committee, the Company’s CFO and one NED shall be the initial appointees of the RPT Committee. No Member may be anyway conflicted in relation to a RPT and will recuse themselves should they so be. No RPT may be concluded without the prior approval of the RPT Committee or the Board, as the case may be.

8. STRUCTURE, MONITORING AND REPORTING

The Board of Grit is ultimately responsible of the risk management of the Grit Group. In assisting the Board to discharge such responsibilities, a delegated authority has been given to the HRB to monitor the adherence to this Policy.

Management shall be responsible for the day-to-day operations of the risk management function. Management will report to the HRB on RPTs. The reporting will be carried out by tabling a related party register as maintained by the Legal & Compliance department at Grit and in such other manner as deemed appropriate.

Adherence to the Policy’s principles will be reported to the Board by the HRB at regular and appropriate intervals, including, but not limited to:

- Quarterly Board Meetings; and
- At the approval of Annual Financial Results.

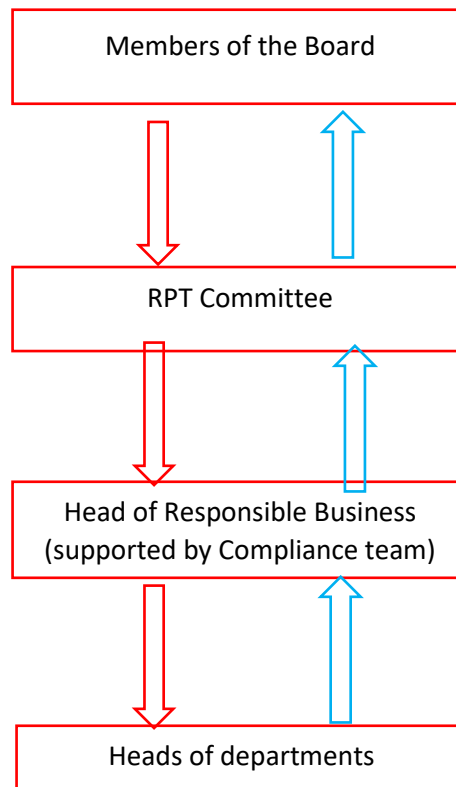
With approval of this document, the HRB and the Heads of each department, will have responsibility of day-to-day implementation of the Policy. The structure below sums up the delegation and reporting from Members of Board to Heads of each department:



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Delegation

- Approves Policy on an agreed basis
- Delegation to RPT Committee to assess and arrange approval of RPTs (where no shareholder or announcement is required)
- Board delegates responsibility to HRB for Policy implementation / adherence
- Delegates for the day-to-day implementation of the Policy



Reporting

- Reviews Policy and ensures adherence to Policy principles
- Refers RPTs requiring an announcement or shareholders' approval to the Board
- Reports quarterly to the Board
- Reports monthly to the CEO in case of breach
- Reports to the HRB

9. DEFINITIONS

Grit is a public company, incorporated in Mauritius and currently has its primary listing on the Main Market of the London Stock Exchange ("LSE") and a secondary listing on the Official Market of the Stock Exchange of Mauritius Ltd ("SEM"). Accordingly, it is important to consider the definitions of "related party" and "related party transactions" under the applicable laws, listing rules (a summary is set out at **Annexure 1**) and standards applicable to Grit and Grit Group.

By virtue of Grit being currently categorised as an International Issuer having a secondary listing on the SEM, the provisions of Chapter 13 of the SEM Listing Rules relating to related party transactions (including the summary as set out at **Annexure 1 and Annexure 3**) shall not apply to the Company. However, any announcement which needs to be released to the market and/or any circular that has go out to shareholders in line with the UK Listing Rules, has to be reviewed by the SEM as well. Accordingly, Grit is not required to carry out a RPT assessment in line with the definition of RPT as set out in the SEM Listing rules, but for completion purpose, the associated definitions have been set out in this Policy.

9.1 SEM Listing Rules

As per the SEM Listing Rules:

- (i) a "RPT" refers to
 - a transaction (other than a transaction of a revenue nature in the ordinary course of business) between a company, or any of its subsidiaries¹, and a related party; or

¹ a company shall be a subsidiary of another company where -



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- any arrangements pursuant to which a company, or any of its subsidiaries, and a related party each invests in, or provides finance to, another undertaking or asset.
- (ii) A “related party” in relation to a company means a director, chief executive or controlling shareholder¹ of the company or any of its subsidiaries or associates² of any of them.

9.2 UK Listing Rules

As per the UK Listing Rules:

- A “related party” refers to (1) a person who is (or was within the 12 months before the date of the transaction or arrangement) a substantial shareholder³ (10% or more of the votes – with some exclusions LR11.1.4AR); or (2) a person who is (or was within the 12 months before the date of the transaction or arrangement) a

(a) that other company or corporation, referred to as the parent -

(i) controls the composition of the Board of the company;

(ii) is in a position to exercise, or control the exercise of, more than one-half the maximum number of votes that can be exercised at a meeting of the company;

(iii) holds more than one-half of the issued shares of the company, other than shares that carry no right to participate beyond a specified amount in a distribution of either profits or capital; or

(iv) is entitled to receive more than one-half of every dividend paid on shares issued by the company, other than shares that carry no right to participate beyond a specified amount in a distribution of either profits or capital; or

(b) the company is a subsidiary of a company that is the parent’s subsidiary.

¹ A controlling shareholder, as per the SEM Listing Rules, is defined as any person who is (or in the case of a related party transaction only was within the 12 months preceding the date of that transaction) entitled to exercise, or control the exercise of, 20 per cent or more of the voting power at meetings of shareholders of the issuer or one which is in a position to control the appointment and/or removal of directors holding a majority of voting rights at board meetings on all or substantially all matters.

² As per the SEM Listing Rules, an ‘associate’ is defined -

(a) in relation to any director, chief executive or controlling shareholder who is an individual means:

(i) his spouse and any child or stepchild under the age of 18 years of the director, chief executive or controlling shareholder together (“the individual’s family”) and;

(ii) the trustees (acting as such) of any trust of which the individual or any of the individual’s family is a beneficiary or discretionary object; and

(iii) any company in the equity capital of which the individual and/or any member or members of the individual’s family (taken together) are directly or indirectly interested so as to exercise or control the exercise of 20 per cent or more of the voting power at meetings of shareholders, or to control the appointment and/or removal of directors holding a majority of voting rights at board meetings on all or substantially all matters, and any other company which is its subsidiary; and

(b) in relation to a controlling shareholder which is a company means any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company or one in the equity capital of which it and/or such other company or companies taken together are directly or indirectly interested so as to exercise or control the exercise of 20 per cent or more of the voting power at meetings of shareholders, or to control the appointment and/or removal of directors holding a majority of voting rights at board meetings on all or substantially all matters.

³ means any person who is entitled to exercise, or to control the exercise of, 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the company (or of any company which is its subsidiary undertaking or parent undertaking or of a fellow subsidiary undertaking of its parent undertaking). For the purposes of calculating voting rights, the following voting rights are to be disregarded:

(1) any voting rights which such a person exercises (or controls the exercise of) independently in its capacity as bare trustee, investment manager, collective investment undertaking or a long-term insurer in respect of its linked long-term business if no associate of that person interferes by giving direct or indirect instructions, or in any other way, in the exercise of such voting rights (except to the extent any such person confers or collaborates with such an associate which also acts in its capacity as investment manager, collective investment undertaking or long-term insurer); or

(2) any voting rights which a person may hold (or control the exercise of) solely in relation to the direct performance, by way of business, of:

(a) underwriting the issue or sale of securities; or

(b) placing securities, where the person provides a firm commitment to acquire any securities which it does not place; or

(c) acquiring securities from existing shareholders or the issuer pursuant to an agreement to procure third-party purchases of securities;

and where the conditions in (i) to (iv) are satisfied:

(i) the activities set out in (2)(a) to (c) are performed in the ordinary course of business;

(ii) the securities to which the voting rights attach are held for a consecutive period of 5 trading days or less, beginning with the first trading day on which the securities are held;

(iii) the voting rights are not exercised within the period the securities are held; and

(iv) no attempt is made directly or indirectly by the firm to intervene in (or attempt to intervene in) or exert (or attempt to exert) influence on the management of the issuer within the period the securities are held.



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director or shadow director of Grit or of any other company which is (and, if he has ceased to be such, was while he was a director or shadow director of such other company) its subsidiary undertaking or parent undertaking or a fellow subsidiary undertaking of its parent undertaking; or (3) a person exercising significant influence; or (4) an associate of a related party referred to in the above paragraphs¹.

A "RPT" means:

- A transaction (not in the ordinary course of business) between a listed company (or its subsidiary undertaking) and a related party (LR 11.1.5R(1)); or
- Any arrangement (not in the ordinary course of business) pursuant to which a listed company (or its subsidiary undertaking) and a related party each invests in, or provides finance to, another undertaking or asset (LR 11.1.5R(2)); or
- Any other similar transaction or arrangement (not in the ordinary course of business) between a listed company (or its subsidiary undertaking) and any other person, the purpose and effect of which is to benefit a related party (LR 11.1.5R(3)). This means that the related party need not be a party to the transaction or arrangement, for example, where a listed issuer provides a guarantee to a bank in respect of a loan taken out by the related party. If the transaction falls within one of these definitions, it is a related party transaction.
- The provisions of the UK Listing Rules are modified in the event that any RPT involves a controlling shareholder.

9.3 Company Law

9.3.1 Mauritius Companies Act 2001

The Companies Act 2001 under states that a company is related to another company where:

- the other company is its holding company or subsidiary;
- more than half of the issued shares of the company, other than shares that carry no right to participate beyond a specified amount in a distribution of either profits or capital, is held by the other company and companies related to that other company (whether directly or indirectly, but other than in a fiduciary capacity);

¹ (1) associate means (in the Listing Rules in relation to a director, substantial shareholder, or person exercising significant influence who is an individual) and (in DTR, in relation to a related party who is an individual):

(a) that individual's spouse, civil partner or child (together the "individual's family");

(b) the trustees (acting as such) of any trust of which the individual or any of the individual's family is a beneficiary or discretionary object (other than a trust which is either an occupational pension scheme or an employees' share scheme which does not, in either case, have the effect of conferring benefits on persons, all or most of whom are related parties;

(c) any company in whose equity securities the individual or any member or members (taken together) of the individual's family or the individual and any such member or members (taken together) are directly or indirectly interested (or have a conditional or contingent entitlement to become interested) so that they are (or would on the fulfilment of the condition or the occurrence of the contingency be) able:

(i) to exercise or control the exercise of 30% or more of the votes able to be cast at general meetings on all, or substantially all, matters; or

(ii) to appoint or remove directors holding a majority of voting rights at board meetings on all, or substantially all, matters;

(d) any partnership whether a limited partnership or limited liability partnership in which the individual or any member or members (taken together) of the individual's family are directly or indirectly interested (or have a conditional or contingent entitlement to become interested) so that they hold or control or would on the fulfilment of the condition or the occurrence of the contingency be able to hold or control:

(i) a voting interest greater than 30% in the partnership; or

(ii) at least 30% of the partnership.

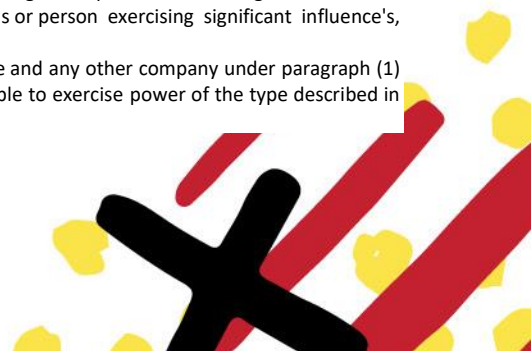
For the purpose of paragraph (c), if more than one director of the listed company, its parent undertaking or any of its subsidiary undertakings is interested in the equity securities of another company, then the interests of those directors and their associates will be aggregated when determining whether that company is an associate of the director.

(2) associate means (in the Listing Rules, in relation to a substantial shareholder or person exercising significant influence which is a company) and (in DTR, in relation to a related party which is a company):

(a) any other company which is its subsidiary undertaking or parent undertaking or fellow subsidiary undertaking of the parent undertaking;

(b) any company whose directors are accustomed to act in accordance with the substantial shareholder's or person exercising significant influence's, directions or instruction;

(c) any company in the capital of which the substantial shareholder or person exercising significant influence and any other company under paragraph (1) or (2) taken together, is (or would on the fulfilment of a condition or the occurrence of a contingency be) able to exercise power of the type described in paragraph (1)(c)(i) or (ii) of this definition.



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- more than half of the issued shares, other than shares that carry no right to participate beyond a specified amount in a distribution of either profits or capital, is held by members of the other company (whether directly or indirectly, but other than in a fiduciary capacity);
- the businesses of the companies have been so carried on that the separate business of each company, or a substantial part of it, is not readily identifiable; or
- there is another company to which both companies are related.

The Companies Act 2001 also defines a relative, "relative", in relation to any person, means:

- any parent, spouse, child, brother or sister of that person;
- any parent, child, brother or sister of a spouse of that person; or
- a nominee or trustee of any person referred to in paragraph (a) or (b).

9.3.2 Companies (Guernsey) Law 2008

The Companies (Guernsey) Law 2008 does not expressly provide a definition of "related", but a similar definition is along the definition of "associated companies", as defined under Section 529 of the Companies (Guernsey) Law 2008:

- (1) For the purposes of this Law, companies are associated if –
- one is a subsidiary of the other,
 - both are subsidiaries of the same company,
 - one is an incorporated cell company and the other is its incorporated cell, or
 - both are incorporated cells of the same incorporated cell company.
- References to an "associated company" have a corresponding meaning.

NOTES:

The meaning of "holding company", "subsidiary" and "wholly-owned subsidiary" as per section 531 of the Companies (Guernsey) Law 2008 is as follows:

For the purposes of this Law a company is, subject to the provisions of subsection (3), a subsidiary of another if, but only if –

- that other –
 - is a member of it and controls the composition of its board of directors,
 - holds more than half in value of its equity share capital in the case of a company limited by shares, or
 - holds more than half of the total voting rights in the case of a company which is not a company limited by shares, or
 - the first mentioned company is a subsidiary of any company which is that other's subsidiary.
- (2) For the purposes of subsection (1) the composition of a company's board of directors shall be deemed to be controlled by another company if, but only if, that other company has some power, exercisable without the consent or concurrence of any other person, to appoint or remove the holders of all or a majority of the directorships; and that other company shall be deemed to have a power to appoint a person to any directorship in respect of which any of the following conditions is satisfied –
- that a person cannot be appointed thereto without the exercise in his favour by that other company of such a power,
 - that a person's appointment thereto follows necessarily from his appointment as a director of that other company,
 - that the directorship is held by that other company itself or by a subsidiary of it.

(3) In determining whether a company is a subsidiary of another –

- any shares held or power exercisable by that other in a fiduciary capacity shall be treated as not held or exercisable by it,



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(b) subject to paragraphs (c) and (d), any shares held or power exercisable –
 (i) by any person as a nominee for that other (except where that other is concerned only in a fiduciary capacity),
 (ii) by, or by a nominee for, a subsidiary of that other, not being a subsidiary which is concerned only in a fiduciary capacity, shall be treated as held or exercisable by that other (c) any shares held or power exercisable by any person by virtue of the provisions of any debentures of the first mentioned company or of a trust deed for securing any issue of such debentures shall be disregarded, (d) any shares held or power exercisable by, or by a nominee for, that other or its subsidiary (not being held or exercisable as mentioned in paragraph (c)) shall be treated as not held or exercisable by that other if the ordinary business of that other or its subsidiary, as the case may be, includes the lending of money and the shares are held or power is exercisable as aforesaid by way of security only for the purposes of a transaction entered into in the ordinary course of that business. (4) For the purposes of this Law –

(a) a company shall be deemed to be another's holding company if, but only if, that other is its subsidiary, and
 (b) a company shall be deemed to be the wholly-owned subsidiary of another if it has no members apart from that other and that other's wholly-owned subsidiaries and its or their nominees.

There is no definition of family member or relative under the Companies Law but the definition of 'associate' in the Articles will apply here.

9.4 IAS 24 Related Party Disclosures

9.4.1 Definitions under IAS 24

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. IAS 24 paragraph 9 provides the following definition of a related party:

“A related party is a person or entity that is related to the entity that is preparing its financial statements, that is, the reporting entity.”

- (a) A person or a close member of that person’s family is related to a reporting entity if that person:
 - (i) has control or joint control of the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

- (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) The entity, or any member of a group of which it is a part provides key management personnel services to the reporting entity or to the parent of the reporting entity.



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Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person’s children and spouse or domestic partner;
- (b) children of that person’s spouse or domestic partner; and
- (c) dependants of that person or that person’s spouse or domestic partner.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

9.4.2 Parties that are specifically identified as not related parties of the reporting entity

IAS 24 paragraph 11 states that the following are not related parties:

- a) two entities simply because they have a director or other member of key management personnel in common or because a member of key management personnel of one entity has significant influence over the other entity;
- b) two venturers simply because they share joint control of a joint venture;
- c)
 - (i) providers of finance,
 - (ii) trade unions,
 - (iii) public utilities, and
 - (iv) departments and agencies of a government that does not control, jointly control or significant influence the reporting entity, simply by virtue of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision-making process).
- d) a customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, simply by virtue of the resulting economic dependence.

10. WHO CAN BE A RELATED PARTY?

Figure 1 below is a high-level indication of who can be regarded as a related party of the Group (reporting entity). The list as per definitions set out under paragraph 9 above is exhaustive and the types of relationships that are not within that list are outside the scope. However, the determination as to whether a relationship falls within one of the categories listed can involve considerable judgement with focus on the substance of a relationship and not merely its legal form.



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High-level indication of who can be the Group's related parties

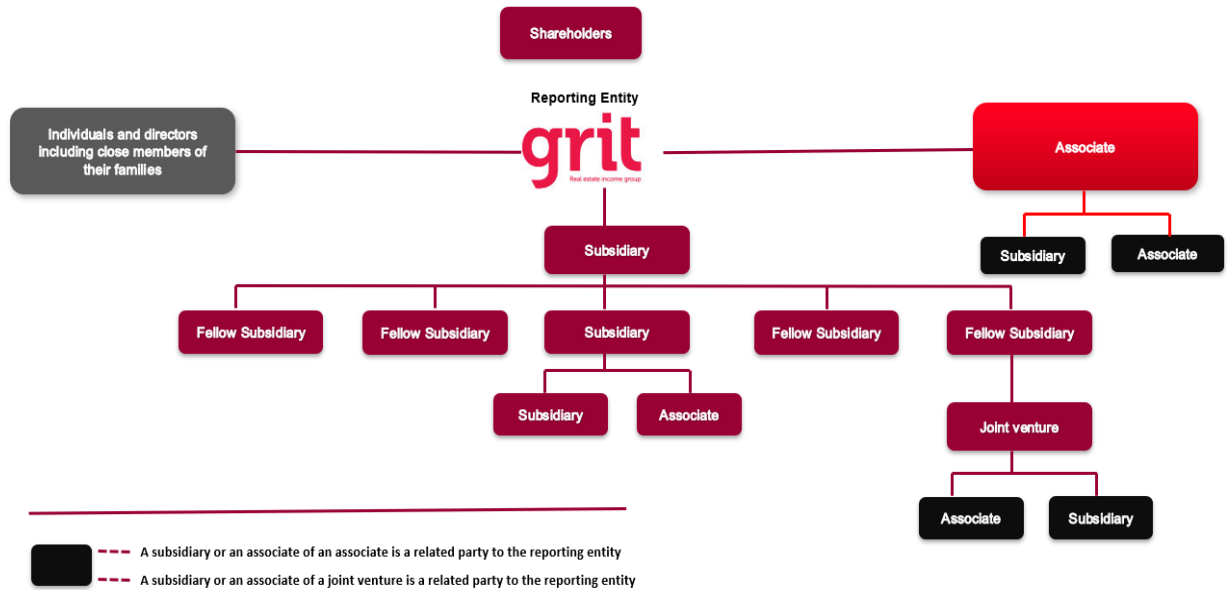


Figure 1: An indication of GRIT's related parties

11. PROCESSES AND PROCEDURES

11.1 Disclosure

When entering into a transaction, the head of the relevant department shall present to the HRB the following information, to the extent relevant, with respect to actual or potential RPTs:

1. A general description of the transaction(s), including the material terms and conditions;
2. A brief on the owners / shareholders of the company with which the transactions are being entered into;
3. The name of the related party and the basis on which such person or entity is a related party, as may be applicable;
4. The related party's interest in the transaction(s), including the related party's position or relationship with, or ownership of, any entity that is a party to or has an interest in the transaction(s);
5. The approximate value of the transaction(s), and the approximate dollar value of the related party's interest in the transaction(s) without regard to amount of profit or loss; and
6. Any other material information regarding the transaction(s) or the related party's interest in the transaction(s).

The HRB shall relay such information to the RPT Committee via the RPT Questionnaire in Appendix 1 hereto to assess whether or not the RPT requires an announcement or shareholder approval.

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In the event that a RPT requires an announcement, any decision in relation to the approval thereof shall be referred to the Board. In the event that a RPT requires shareholder approval, any decision in relation to the approval thereof shall be referred to the Board. No RPT may be concluded without the prior approval of the RPT Committee or the Board, as the case may be.

11.2 Review of the transaction

The HRB shall review the material facts of all RPTs. All such transactions shall be agreed on terms that are customary for arm's length transactions in the organization business. Where the HRB requires assistance, the members of the RPT Committee and the listing sponsors of the Company shall be contacted for further advice. Under the UK Listing Rules, any potential RPT must be discussed with the UK listing sponsor to assess the potential application of Chapter 11 of the UK Listing Rules.

The Board may also withdraw approval or seek to disprove a previously approved or entered into RPT and may require that management of Grit take all reasonable efforts to terminate, unwind, cancel or annul the RPT. In connection with its review of a RPT, the Board will take into account, among other factors it deems appropriate, whether the RPT is: in the ordinary course of business; on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances; and the extent of the related party's interest in the RPT.

11.3 Reporting

11.3.1 Update of the Related Party Register

Upon a RPT being reported to the HRB and where such transaction has been approved by the Board or RPT Committee, as the case may be, the related party register as set out at **Annexure 2** shall be updated. Such update shall be brought to the attention of the Board at the quarterly meetings.

11.3.2 Disclosures required as per listing rules

Depending on the nature of the related party transaction, disclosures may be required to be done as per the listing rules as set out at **Annexure 3**.

11.3.3 Disclosures in the financial statements – IAS 24

Where a transaction is a RPT, disclosures have to be made in the financial statements as per IAS24.

11.3.3.1 Background

The objective of IAS 24 is to ensure that financial statements contain the disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments with related parties.

IAS 24 acknowledges that related party relationships are a normal feature of business and commerce. Such relationships can influence the operating results and financial position of the reporting entity. They may lead to transactions being entered between the related parties that would not be entered into between unrelated parties, or at different amounts from those that would prevail between unrelated parties. Thus, for this and other reasons, IAS 24 concludes that knowledge of an entity's transactions, outstanding balances (including commitments), and



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relationships with related parties may affect assessments of its operations by users of financial statements, including assessments of the risks and opportunities facing the entity.

11.3.3.2 Accounting Issues and Treatment

It is important to note that the Companies Act 2001 requires that financial statements of both public and private companies be prepared in accordance with the International Accounting Standards (IASs). *Section 211 of the Companies Act 2001*, with the subheading, “*Contents and form of financial statements*”, states that:

- (1) *Subject to the other provisions of this section, the financial statements of a company shall present fairly the financial position, financial performance and where stated the cash flow of the company; and*
- (2) *The financial statements shall, in the case of public companies and private companies –*
 - (a) *be prepared in accordance with and comply with the International Accounting Standards; and*
 - (b) *comply with any requirement which applies to the company’s financial statements under any other enactment.*

Based on section 211 of the Companies Act 2001, it would be reasonable to conclude that the Companies Act 2001 requirements regarding related parties are aligned to the related parties’ requirements in IAS 24. Given that the financial statements are required to comply with the International Accounting standards as per section 211, the related parties’ disclosures in the financial statements should be based on IAS 24 requirements.

11.3.3.3 Accounting treatment of IAS 24 paragraph 9

As noted in the definition of related party under paragraph 9.4.1 above, the definition of related party includes the **close members of the family of an individual who may be expected to influence, or be influenced by, that individual in their dealings with the entity**. The Standard lists as close members of family :

- (a) "the individual’s domestic partner and children";
- (b) "children of the individual’s domestic partner"; and
- (c) "dependants of the individual and/or the domestic partner".

The Group’s approach on whether or not to include these individuals or their companies on the list is determining if they have any dealings with the Group. If none, then in principle there is nothing that they can influence hence generally excluded from the Group’s list of related parties.

The Standard refers to those family members who may be expected to influence, or be influenced by, the individual. The test is not, therefore, one of whether influence exists in practice, but whether users of the financial statements would expect such influence to exist. In case of close family relationships other than those given as examples in the Standard (e.g. father and son, or brother and sister), there would generally be a presumption that such influence exists unless there is evidence to the contrary. Conversely, in the case of more distant family relationships, there would generally be a presumption that no influence exists unless there is evidence to the contrary.

The list in paragraph 9 of IAS 24 is exhaustive and the types of relationships that are not within that list are outside the scope of IAS 24.



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11.3.3.4 Accounting treatment of IAS 24 paragraph 9

In light with paragraph 9.4.1 above, all the parties listed under paragraph 11 of IAS 24 are not related parties of the reporting entity. However, if the reporting entity has a related party relationship, as defined in IAS 24, with one of these entities, the general requirements apply.

11.3.3.5 Disclosure requirements

11.3.3.5.1 Introduction

The level of related party disclosures is at the reporting entity level. A reporting entity is an entity that is required, or chooses, to prepare financial statements. A reporting entity can be a single entity or a portion of an entity or can comprise more than one entity. A reporting entity is not necessarily a legal entity. [Conceptual Framework (CF): 3.10].

Sometimes one entity (parent) has control over another entity (subsidiary). If a reporting entity comprises both the parent and its subsidiaries, the reporting entity's financial statements are referred to as 'consolidated financial statements'. If a reporting entity is the parent alone, the reporting entity's financial statements are referred to as unconsolidated financial statements. [CF: 3.11].

When a parent or investor presents unconsolidated or separate financial statements in accordance with IAS 27 *Separate Financial Statements*, IAS 24 applies equally to those separate financial statements. [IAS 24:3]. There are no exemptions available to subsidiaries in respect of transactions and balances with other group entities. Related party transactions and outstanding balances with other entities in a group are disclosed in an entity's separate or individual financial statements. [IAS 24:4]

11.3.3.5.2 Relationships

Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them. [IAS 24:13].

11.3.3.5.3 Compensation of key management personnel

The total compensation of key management personnel is required to be disclosed, and for each of the following categories:

- (a) short-term employee benefits;
- (b) post-employment benefits;
- (c) other long-term benefits;
- (d) termination benefits; and
- (e) share-based payment. [IAS 24:17].

11.3.3.5.4 Other related party transactions

In addition to the compensation of key management personnel, an entity is required to disclose details of any other transactions with its related parties during the periods covered by the financial statements. If such transactions have occurred, IAS 24 paragraph 18 requires disclosure of:

- the nature of the related party relationship; and



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- information about the transactions and outstanding balances, including commitments, necessary for an understanding of the potential effect of the relationship on the financial statements.

Paragraph 21 of IAS 24 provide examples of transactions that require disclosure.

11.3.3.5.5 *Categories of related parties*

The related party disclosures set out in IAS 24 paragraph 18 are required to be made separately for each of the following categories:

- the parent;
- entities with joint control of, or significant influence over, the entity;
- subsidiaries;
- associates;
- joint ventures in which the entity is a joint venture;
- key management personnel of the entity or its parent; and
- other related parties.

The classification of amounts payable to, and receivable from, related parties in the different categories set out above is an extension of the disclosure requirements in [IAS 1] *Presentation of Financial Statements* for information to be presented either in the statement of financial position or in the notes. The categories are intended to provide a more comprehensive analysis of related party balances and apply to related party transactions. [IAS 24:20]. The Group uses these categories, where applicable, to disclose its related parties in the consolidated financial statements.

11.3.3.6 *Impact on the Financial Statements*

Some of the VAT receivable balance will be reclassified to non-current assets.



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ANNEXURE 1

UK Definition	SEM Definition*
<p>Transactions with:</p> <ul style="list-style-type: none"> • Directors of parent & subs (incl. last 12 months) • Substantial Shareholders (10% - incl. last 12 months) • Person Exercising Significant Influence • Associates of the above 	<p>Transactions (other than of a revenue nature in the ordinary course of business) with:</p> <ul style="list-style-type: none"> • Director of Company; • Chief Executive Officer of Company; • Controlling shareholder of Company (> 20% - incl. last 12 months); • Director of Subsidiary of Company; • Chief Executive Officer of Subsidiary of Company; • Controlling shareholder of Subsidiary of Company (> 20% - incl. last 12 months); • Associates of the above (as defined under the SEM Listing Rules)

** Not applicable as long as Grit remains categorised as an International Issuer having a secondary listing on the SEM.*

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ANNEXURE 2 - SEE RELATED PARTY REGISTER IN ANNUAL REPORT AND AVAILABLE UPON REQUEST



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ANNEXURE 3

Miscellaneous	UK Rules	SEM Rules*
Shareholder Approval	<p>Yes – if 5% or over in any of the class tests¹:</p> <ul style="list-style-type: none"> • Disclosure to market • Shareholder approval (50%) (related party and its associates cannot vote) • Detailed circular containing specified information 	<p>Yes – if 10% or over of both the following ratios (where applicable) (Percentage Ratios) 1: consideration: market cap, 2: shares to be issued as consideration issue: existing number of shares in issue:</p> <ul style="list-style-type: none"> • Disclosure to market • Shareholder approval (related party to abstain from voting) • Detailed circular containing specified information and an independent valuation report
Disclosure Required	<p>If under 5% in all of the class tests but over 0.25% in any class test (a “smaller related party transaction”), must make:</p> <ul style="list-style-type: none"> • Disclosure to the market • Private “fair and reasonable” confirmation must be obtained from sponsor first <p>Below 0.25% in all of the class tests (a “small transaction”) - no disclosure requirement²</p>	<p>If under 10% but 5% or over in both Percentage Ratios (where applicable), must:</p> <ul style="list-style-type: none"> • Inform Listing Executive Committee of the SEM in writing • Obtain a “fair and reasonable” confirmation from an independent professional expert (accredited with the SEM) • Undertake in writing to LEC to include details of the transaction in the Company's next published Annual Report <p>If both of the percentage ratios (where applicable) are less than 5%, the Listing Rules in relation to related party transactions shall not apply. Any notification to the SEM in such cases would be on a voluntary basis.</p>

¹ Refer to Annex 1 of Chapter 10 of the UK Listing Rules

² There are requirements under the Listing Rules to aggregate transactions in any 12 month period (LR 11.1.11R)

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Aggregation of Transactions	12 months	12 months – with the same related party (and any of its associates)
Ordinary Course Exclusion	Yes. There are additional exclusions set out in Annex 1 of Chapter 11 to the UK Listing Rules.	Yes, if the transaction is also of a revenue nature.
Additional Rules	<p>In addition to the UK Listing Rules, Grit is subject to the related party transaction requirements in Chapter 7.3 of the DTR (as modified for a non-EEA company).</p> <p>In many cases a related party transaction may fall within the scope of both regimes. The rules in the DTR recognise that where an issuer has complied with the requirements of LR 11.1.7R for shareholder approval of a transaction it will be treated as having satisfied the disclosure requirements of DTR 7.3.8. Where an issuer has complied with the requirements of LR 11.1.10R in relation to a smaller related party transaction it will be treated as having satisfied the disclosure requirements of DTR 7.3.8.</p> <p>Where an exemption takes a transaction outside the scope of LR 11, compliance with the requirements of DTR 7.3 will still be required (unless an exemption also applies under DTR 7.3).</p> <p>The definition of related party under DTR 7.3 is different to that under LR 11. As a result there may also be certain transactions which do not fall within the scope of LR 11 but which are subject to the requirements of DTR 7.3.</p>	

** Not applicable as long as Grit remains categorised as an International Issuer having a secondary listing on the SEM*