RELATED PARTY TRANSACTION POLICY

OF

<u>VARDHMAN HOLDINGS LIMITED</u>

(U/s 188 of the Companies Act, 2013 and Regulation 23 of SEBI (LODR) Regulations, 2015)

1. ## <u>PREAMBLE:</u>

   The Company is committed to upholding the highest ethical and legal conduct in fulfilling its responsibilities and recognizes that RPTs can present a risk of actual or apparent conflicts of interest of the Directors, Senior Management etc. with the interest of the Company.

   The Board of Directors (the "Board") of Vardhman Holdings Limited (the "Company" or "VHL") adopts the following policy and procedures with regard to Related Party Transactions (RPTs) as defined below in compliance with the requirements of Section 188 of the Companies Act 2013 and Rules made there under including any subsequent amendments thereto (the "Act") and Regulation 23 of SEBI (LODR) Regulations, 2015, as may be amended from time to time, in order to ensure the transparency and procedural fairness of such transactions.

2. ## <u>OBJECTIVE:</u>

   This policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its related party in the best interest of the Company and its Stakeholders. Provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of RPTs, in terms of the applicable laws.

3. ## <u>DEFINITIONS:</u>

   3.1. **"Related Party Transaction (RPT)"** is a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged and will include following specific transactions:

   a) Sale, purchase or supply of any goods or materials;
   b) Selling or otherwise disposing of, or buying, property of any kind;
   c) Leasing of property of any kind;
   d) Availing or rendering of any services;

e) Appointment of any agent for purchase or sale of goods, materials, services or property;

f) Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and

g) Underwriting the subscription of any securities or derivatives thereof, of the company;

(Section 188(1) of the Companies Act, 2013 and Regulation 2 (zb) of SEBI (LODR) Regulations, 2015.)

3.2. **"Related Party"**- means a party as defined under:-

1) Section 2(76) of the Companies Act, 2013; or

2) Regulation 2(zb) of SEBI (LODR) Regulations, 2015.

3.3 **"Material Related Party Transactions"**- Transaction with a Related Party shall be considered material if transactions to be entered into individually or taken together with previous transactions during a financial year exceeds 10% of annual consolidated turnover of the Company or such other limits as may be prescribed under SEBI (LODR) Regulations, 2015 or under any other applicable law.

3.4 **"Material modification"** means subsequent modification to an existing related party transaction, pre-approved by the Audit Committee or Board or Shareholders as the case may be, exceeding 50% of the originally approved value of the said transaction.

3.5 **"Relative"** - with reference to any person, means anyone who is related to another if –
    (i) They are members of a Hindu Undivided Family;
    (ii) They are husband and wife; or
    (iii) One person is related to the other in the following manner, namely: -
        a) Father including step father
        b) Mother including step mother
        c) Son including step son
        d) Son's Wife
        e) Daughter
        f) Daughter's Husband
        g) Brother including step brother
        h) Sister including step sister

3.6 The terms used in this Policy unless defined, wherever context so require, shall have the same meaning as prescribed under the

Companies Act, 2013 and Regulation 23 of SEBI (LODR) Regulations, 2015.

4 PROCEDURES:

4.1 Audit Committee

4.1.1   All RPTs and subsequent material modifications thereof, shall require prior approval of the Audit Committee in the manner specified under SEBI LODR Regulations. However, the Audit Committee may grant omnibus approval for RPTs proposed to be entered into by the company subject to the following conditions: (Regulation 23(3) of SEBI (LODR) Regulations, 2015)

a.   The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on RPTs 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 the need for such omnibus approval and that such approval is in the interest of the Company;

c.   Such omnibus approval shall specify-
   i.   the name/s of the related party,
   ii.   nature of transaction
   iii. period of transaction
   iv.   maximum amount of transaction that can be entered into
   v.   indicative base price/current contracted price
   vi.   formula for variation in the price, if any.
   vii. such other conditions as the Audit Committee may deem fit

   Provided that where the need for RPT cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

d.   The Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.

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

4.1.1   The RPTs which are not in the ordinary course of business and not at arm's

length will be reviewed by the Audit Committee and then recommended to the Board of Directors.

4.1.2 Any member of the Committee who has an interest in the transaction under discussion will abstain from voting on the approval of the RPT. However, the Chairman of the Committee may allow participation of such member in some or all of the Committee's discussions of the RPT.

4.2 Board of Directors

4.2.1 All RPTs falling under the purview of sections 188(1), will require approval of the Board of Directors at its meeting.

4.2.2 The Agenda of the Board meeting at which the resolution is proposed to be moved shall disclose:-

a) The Name of the Related Party and nature of relationship;
b) The nature, duration and particulars of the contract or arrangement;
c) The material terms of the contract or arrangement including the value if any;
d) Any advance paid or received for the contract or arrangement, if any;
e) The manner of determining the pricing and other commercial terms.
f) 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; and
g) Any other information relevant or important for the Board to take a decision on the proposed transaction.

4.2.3 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. (*Rule 15(2) of the Companies (Meetings of Board and its Powers) Rules, 2014*

4.3 Approval of shareholders:

4.3.1 The contracts or agreements with any Related Party which are not in the ordinary course of business and not at arm's length in respect of transactions specified in Section 188(1) of the Companies Act, 2013, will require prior approval of the shareholders by a resolution subject to limits mentioned in *Rule 15(3) of the Companies (Meetings of Board and*

its Powers) Rules, 2014.

4.3.2 All material RPTs and subsequent material modifications shall require prior shareholders' approval and no related party shall vote to approve such resolutions whether the entity is a related party to a particular transaction or not.

4.3.3 The explanatory statement to be annexed to the notice of general meeting in this regards will contain following particulars:

  i. name of the related party;
  ii. name of the director or key managerial personnel who is related, if any;
  iii. nature of relationship;
  iv. nature, material terms, monetary value and particulars of the contract or arrangement;
  v. any other information relevant or important for the members to take a decision on the proposed resolution.
  (Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014)

Related Party Transactions that shall not require approval

The following Related Party Transactions shall not require approval of the Audit Committee or Shareholders, as the case may be:

i. any transaction wherein the interest of Related Party arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefit pro rata as the Related Party viz. payment of dividend, bonus, rights issue, buy-back of securities, capital reduction, consolidation/split of securities, merger, demerger, hive-off etc.

ii. any transaction that involves the providing of compensation to Directors or KMPs in connection with his or her duties to the Company or any of its subsidiaries or affiliates, including the reimbursement of reasonable business and travel expenses in the ordinary course of business.

5 DISCLOSURE:

5.1 Each director who is, directly or indirectly, concerned or interested in any way in any transaction with the Related Party shall disclose all material information and the nature of his interest in the transaction to the Committee or Board of Directors.

5.2 The Policy shall be disclosed on the Company's website, if required, by any applicable laws, rules and regulations.

6   **REVIEW OF POLICY:**

The Audit Committee may periodically review this Policy and may recommend amendments to this Policy as it deems appropriate.

7   **AMENDMENTS:**

In any circumstance where the terms of this policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over the policy until such time as this policy is amended to conform to the law, rule, regulation or standard.