



## **V-GUARD INDUSTRIES LIMITED**

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

### **Regulatory Framework**

The Policy on Materiality and Dealing with Related Party Transactions (“Policy”) of V-Guard Industries Limited (“Company”) has been prepared and adopted in accordance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR”) and Companies Act, 2013 (“Act”) alongwith circulars issued thereunder, including any statutory amendments, modifications or re-enactments thereof for the time being in force.

Regulation 23 of SEBI LODR requires the Company to formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors.

### **Objective of the Policy**

The objective of this Policy is to set out

1. the materiality thresholds for related party transactions and;
2. the manner of dealing with the transactions between the Company and its related parties based on the applicable laws

### **Definitions**

1. “**Audit Committee**” shall mean the Audit Committee constituted by the Board of the Company from time to time, in accordance with the provisions of the Act and Listing Regulations.
2. “**Arms length transaction**” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

3. **“Ordinary course of business”** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities.

4. **“Board of Directors”** or **“Board”** shall mean the collective body of the Directors of the Company as constituted from time to time, in line with the provisions of the Act and Listing Regulations.

5. **“Key Managerial Personnel”** in relation to the Company shall be as defined under Section 2(51) of the Act, as amended from time to time.

6. **“Related Party”** with reference to a Company, shall have the meaning as defined in Section 2(76) of the Companies Act, 2013 (the Act) and 2(1)(zb) of the Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) Regulations, 2015 (Listing Regulations).

7. **“Related Party Transaction”** (RPT) means –

- a. for the purpose of the Act, specified transaction of the Company with Related Parties, mentioned in clause (a) to (g) of sub-section 1 of Section 188; and
- b. for the purpose of Regulation 2(1)(zc) of the Listing Regulations, a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.

8. **“Relative”** means relative as defined under sub-section (77) of Section 2 of the Act and Rules prescribed there under.

9. **“Material Related Party Transaction”**; A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

10. **“Material Modification”**; means any modification or amendment to the related party agreement / transaction which is likely to result in a 10% revision in the

original contractual value of the related party agreement / transaction approved by the Audit Committee.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation.

### **Intimation by the Related Parties**

Directors shall disclose to the Board, details of all their relatives and the list of entities in which the Director is concerned or interested directly / indirectly, as per the requirements of the Act and Listing Regulations. Any changes in the particulars must be informed promptly to the Board of Directors.

The Directors and Key Managerial Personnel shall inform immediately the Board of any proposed related party transactions as soon as they become aware of it. It is the responsibility of the Director(s) or KMP who are interested in a proposed RPT to inform the Board and obtain approval prior to entering into the transaction. Interested Director(s)/ KMP shall not be present at the meeting during discussions on the subject matter of the resolution(s).

### **REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS**

#### **Audit Committee**

All related party transactions and subsequent material modifications shall require prior approval of the audit committee. However, the Audit Committee may grant prior omnibus approval for Related Party Transactions which are repetitive in nature, subject to the compliance of conditions contained in Regulation 23 of the Listing Regulations.

Those members of the audit Committee who are independent directors shall only approve the related party transaction.

The prior approval of the audit committee of the Company is required in case of related party transaction to which the subsidiary of the Company is a party, but the Company is not a party if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover.

With effect from April 1, 2023, The prior approval of the audit committee of the Company is required in case of related party transaction to which the subsidiary of the Company is a party, but the Company is not a party if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;

The prior approval of the audit committee of the Company is not required in case of related party transaction to which the listed subsidiary of the Company is a party, but the Company is not a party if regulation 23 and sub-regulation (2) of regulation 15 of Listing regulations are applicable to such listed subsidiary.

### **Board of Directors**

The approval of the Board is not required for any transactions entered into by the company in its ordinary course of business and on an arm's length basis.

The Company should obtain the approval of the Board for all the transactions specified in section 188 (1) which does not satisfy any of the conditions mentioned above, by following the procedure / provisions as per Section 188 of the Act.

### **Shareholders**

All the Material Related Party Transactions and subsequent material modifications as defined shall require prior approval of the shareholders through resolution and the Related Parties shall abstain from voting on such resolutions whether the entity is related to the particular transaction or not. All the transactions, other than the Material Related Party Transactions, with the Related Parties which are not in the ordinary course of business or at Arm's Length basis shall also require the approval of the shareholders through a resolution if so required under any law and the Related Party/ies with whom transaction is to be entered into shall abstain from voting on such resolution.

Accordingly, the Company should obtain the prior approval of the shareholders in case of the transactions which exceeds the threshold limit as specified in Section 188(1) of the Act and Rule 15 of Companies (Meetings of Board and its Powers) Rule, 2014 and with any amendments made from time to time.

The prior approval of the shareholders of the Company is not required in case of related party transaction to which the listed subsidiary of the Company is a party, but the Company is not a party if regulation 23 and sub-regulation (2) of regulation 15 of Listing regulations are applicable to such listed subsidiary.

### **Exemption for approvals**

The provision of sub regulation (2), (3) and (4) of Regulation 23 of Listing Regulations as shall not be applicable under the following cases;

1. transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

2. transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

### **Voidable Contracts / Arrangements**

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting under sub-section (1) of Section 188 of the Act, and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

Without prejudice to anything stated above, it shall be open to the company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of that section for recovery of any loss sustained by it as a result of such contract or arrangement.

### **Disclosures**

- a. The Company shall submit within 15 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.
- b. With effect from April 1, 2023, the Company shall submit disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges, on the date of publication of its standalone and consolidated financial results and publish the same on its website.
- c. The company shall disclose this policy under separate section on the website of the Company and a web link shall be disclosed in the Annual Reports.
- d. The Company shall disclose, in the Annual Report, the details of related party transactions as per Schedule V of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.
- e. Such other disclosures as required under the law.

### **POLICY REVIEW**

- a. The Audit Committee shall review statement of significant related party transaction on a quarterly basis. In addition, the details of the related party transaction pursuant to omnibus approval, if any, shall also be reviewed on a quarterly basis.
- b. The said policy should also be reviewed by the Board atleast once in every three years.

**EFFECTIVE DATE**

This revised Policy, shall become effective from **1st April 2022.**

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