



VEDAVAAG SYSTEMS LIMITED

RELATED PARTY TRANSACTIONS POLICY

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INTRODUCTION:

Vedavaag Systems Limited (the “Company”) recognizes that Related Party Transactions (as defined below) can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with Company's and its stakeholders' best interests. Therefore, this Related Party Transactions policy (“Policy”) regarding the review and approval of Related Party Transactions has been adopted by the Company's Board of Directors in order to set forth the procedures under which certain transactions must be reviewed and approved or ratified.

DEFINITIONS

For the purposes of this policy, the following definitions apply:

1. Definitions under Companies Act, 2013

A. Related Party

As per Section 2(76) of the Companies Act, 2013, Related Party with reference to a Company means:

- i) a Director or his relative;
- ii) a Key Managerial Personnel or his relative;
- iii) a firm, in which a Director, Manager or his relative is a Partner;
- iv) a Private Company in which a Director or manager or his relative is a member or Director;
- v) a Public Company in which a Director and Manager is a Director and holds along with his relatives, more than two per cent of its paid-up share capital;
- vi) any Body Corporate whose Board of Directors, Managing Director 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 Body Corporate which is:

- (A) a Holding, Subsidiary or an Associate Company of such Company;
- (B) a Subsidiary of a Holding Company to which it is also a subsidiary or
- (C) an investing Company or the venturer of the Company;

Explanation - For the purpose of this clause, “the investing Company or the venturer of a Company” means a Body Corporate whose investment in the Company would result in the Company becoming an Associate Company of the Body Corporate.

ix) such other person as may be prescribed.

B. Relative

Companies Act, 2013:

As per the Provisions of Section 2(77) of the Companies Act, 2013 “Relative” 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 such manner as may be prescribed;

- Companies (Specification of definitions details) Rules, 2014

As per Rule 4 of Companies (Specification of definitions details) Rules, 2014, a person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely: -

- a) Father
- b) Step-father
- c) Mother
- d) Step-mother
- e) Son
- f) Step-son
- g) Son's wife
- h) Daughter
- i) Daughter's husband
- j) Brother
- k) Step-brother
- l) Sister
- m) Step-sister.

C. Holding Company

As per the Provisions of Section 2(46) of the Companies Act, 2013 “Holding Company” in relation to one or more other Companies, means a Company of which such Companies are Subsidiary Companies;

Explanation - For the purposes of this clause, the expression “Company” includes any Body Corporate.

D. Subsidiary Company

As per the Provisions of Section 2(87) of the Companies Act, 2013 “Subsidiary Company” or “Subsidiary” in relation to any other Company (that is to say the Holding Company), means a Company in which the Holding Company –

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its Subsidiary Companies:

Provided that such class or classes of Holding Companies as may be prescribed shall not have layers of Subsidiaries beyond such numbers as may be prescribed.

Explanation - For the purposes of this clause -

- (a) a Company shall be deemed to be a Subsidiary Company of the Holding Company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another Subsidiary Company of the Holding Company;
- (b) the composition of a Company's Board of Directors shall be deemed to be controlled by another Company if that other Company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the Directors;
- (c) the expression "Company" includes any Body Corporate;
- (d) "Layer" in relation to a Holding Company means its Subsidiary or Subsidiaries

E. Associate Company

As per the Provisions of Section 2(6) of the Companies Act, 2013 "Associate Company", in relation to another Company, means a Company in which that other Company has a significant influence, but which is not a Subsidiary Company of the Company having such influence and includes a Joint Venture Company.

Explanation - For the purpose of this clause —

- (a) the expression "Significant Influence" means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement.
- (b) the expression "Joint Venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

2. Definitions under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations)

As per Reg. 2(zc) of LODR Regulations, "Related Party Transaction" means a transfer of resources, services or obligations between:

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of listed entity or any of its subsidiaries, with effect from April 1, 2023;

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

Provided that the following shall not be a related party transaction:

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.
- (c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board: Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s).

B. Related Party

As per Reg.2(zb) of LODR Regulations, “Related Party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards.

Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the listed entity;
or
- (b) any person or any entity, holding equity shares:
 - (i) of twenty per cent or more; or
 - (ii) **of ten per cent or more, with effect from April 1, 2023;**

in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party:”

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognized Stock Exchange(s);

C. Material Related Party Transactions as defined under the LODR Regulations

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 Crores or ten percent of the annual consolidated turnover of the listed entity as per the last Audited Financial Statements of the listed entity, whichever is lower.

Payments made with respect to Brand Usage or Royalty shall be considered material, if transaction(s) to be entered into individually or taken together with previous transactions during a Financial Year, exceeds 5% of Annual Consolidated Turnover as per latest Audited Financial Statements of the Company.

D. Material Modification(s)

If the terms and conditions of the Related Party Transaction(s) already approved by the Audit Committee/Board of Directors is modified beyond 20%, then such modification is considered as material modification, hence, it requires prior approval of Audit Committee/Board of Directors.

3. Transactions covered under Related Party Transactions

Following transactions entered with a Related Party are considered as Related Party Transactions as per Companies Act, 2013:

- sale, purchase or supply of any goods or materials;
- selling or otherwise disposing of, or buying, property of any kind;
- leasing of property of any kind;
- availing or rendering of any services;
- appointment of any agent for purchase or sale of goods, materials, services or property;
- such related party's appointment to any office or place of profit in the Company, its Subsidiary Company or Associate Company; and
- underwriting the subscription of any securities or derivatives thereof, of the Company.

III. PROCEDURES

1. Disclosure by Directors and Key Managerial Personnel (KMP)

- a) Every Director shall at the first meeting of the Board in which he participates as a Director and thereafter at the first meeting of the Board in every Financial Year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his concern or interest in any Company or Companies or bodies corporate, firms, or other association of individuals which shall include the shareholding.
- b) Every Director or Key Managerial Personnel 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 relating to his concern or interest in the other associations.



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- c) Provided that where any Director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

2. Approval of Audit Committee and Board of Directors

All Related Party Transactions and subsequent Material Modifications shall require prior approval of the Audit Committee and Board of Directors.

3. Information to be placed before the Audit Committee and Board of Directors for approval of Related Party Transactions

- 1) Type, material terms and particulars of the proposed transaction;
- 2) Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- 3) Tenure of the proposed transaction (particular tenure shall be specified);
- 4) Value of the proposed transaction;
- 5) The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- 6) If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
 - i) details of the source of funds in connection with the proposed transaction;
 - ii) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- 7) Justification as to why the RPT is in the interest of the listed entity;
- 8) A copy of the valuation or other external party report, if any such report has been relied upon;

9) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;

10) Any other information that may be relevant.

The Audit Committee and Board of Directors shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

4. Information to be placed before the Shareholders for approval of Related Party Transactions:

1) A summary of the information provided by the management of the listed entity to the audit committee;

2) Justification for why the proposed transaction is in the interest of the listed entity;

3) If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:

i) details of the source of funds in connection with the proposed transaction;

ii) where any financial indebtedness is incurred to make or give loans, inter- corporate deposits, advances or investments,

- nature of indebtedness;
- cost of funds; and
- tenure;

iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and

iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.

4) A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders;

5) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;

6) Any other information that may be relevant.

5. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- 1) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- 2) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- 3) Such omnibus approval shall specify:
 - i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
 - ii) the indicative base price / current contracted price and the formula for variation in the price if any; and
 - iii) such other conditions as the Audit Committee may deem fit;

Provided that where the need for Related Party Transaction 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.

4) Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.

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

6. Interested Directors and Key Managerial Personnel not to participate

Where any Director or Key Managerial Personnel is interested in any contract or arrangement with a Related Party, such Director or Key Managerial Personnel shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

7. Factors to be considered by Audit Committee and Board of Directors while approving Related Party Transactions

- i) Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ii) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- iii) The commercial reasonableness of the terms of the Related Party Transaction;
- iv) The materiality of the Related Party Transaction;

- v) Whether the terms of the Related Party Transaction are fair and on the same basis as would apply if the transaction did not involve a Related Party;
- vi) The extent of the Related Party's interest in the Related Party Transaction;
- vii) The actual or apparent conflict of interest of the Related Party participating in the Related Party Transaction;
- viii) Whether the Related Party Transaction would affect the independence of an Independent Director;
- ix) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- x) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- xi) Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Executive Officer or other Related Party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

8. Approval of Shareholders

- i) Prior approval of Shareholders through Ordinary Resolution is required for the following transactions:
 - a. If the transaction / transactions to be entered into individually or taken together with previous transactions during a Financial Year, exceeds Rupees One Thousand Crores or ten percent of the annual consolidated turnover of the Company as per the last Audited Financial Statements of the Company, whichever is lower.
 - b. To any transactions entered into by the Company which is not in its ordinary course of business, which are not on an arm's length basis.
 - c. Appointment to any office or place of profit in the Company, its Subsidiary Company or Associate Company at a monthly remuneration exceeding two and half lakh rupees.
 - d. Is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company exceeding 1% of the net worth of the Company.

9. Interested Shareholder shall not participate in voting

No Related Party shall vote to approve Resolution for all Material Related Party Transactions, whether the entity is a Related Party to the transaction or not.

10. Related Party Transactions which does not require approval of shareholders

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Shareholders:

- i) The transactions are entered into by the Company in the ordinary course of business and also done at Arm's length.
- ii) Any transaction that involves the providing of compensation to a Director or Key Managerial Personnel in connection with his or her duties to the Company or any of its Subsidiaries or Associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- iii) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
- v) Transactions available to all employees generally.
- v) 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.
- vi) 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.
- vii) The transactions which are not Material Related Party transactions

11. Ratification by Board and/or shareholders of the Company

Where any contract or arrangement is entered into by a Director or any other employee, without obtaining the consent of the Board or shareholders pursuant to Section 188(1) of the Act and if is not ratified by the Board and/or shareholders within 3 months from the date of contract or arrangement, such contract or arrangement shall be voidable at the option of the Board. If such contract or arrangement is with related party to Director or is authorized by any Director, the Directors concerned shall indemnify against any loss incurred.

12. Review of Policy

The policy shall be reviewed by the Board of Directors at least once in every 3 years and updated accordingly.

IV. DISCLOSURE

Every Related Party Transactions or contract or arrangement entered shall be disclosed in the following manner:

- i) In the Board's report to the shareholders along with the justification for entering into such contract or arrangement;
- ii) Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance;
- iii) The listed Entity shall submit to the Stock Exchanges disclosures of Related Party Transactions in the format as specified by the Securities and Exchange Board of India from time to time, and publish the same on its Website every six months with in fifteen days from the date of publication of its standalone and consolidated financial results; and
- iv) The Company shall disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report.

13. Effective date of the Policy

This Policy shall be applicable with effect from April 1, 2022.