Related Party Transaction Policy

Background

The Board of Directors (the "Board") of Vellora impact limited (the "Company"), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Board retains the power to review and amend this policy from time to time and is subject to

a) amendments to the Companies Act, 2013
b) amendments to the Listing agreement
c) Consequential actions taken by the Board of Directors or the Audit Committee of the Company.

This policy will be effective to the Company w.e.f. February 06, 2022. The policy intends to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company.

Purpose

This policy is framed keeping in view the requirement of the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges. This policy is intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its stakeholders. The Company is required to disclose each year in the Financial Statements transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

1. Policy on Related Party Transaction

All the Related Party Transaction must be reported to the Audit Committee and referred for the approval by the Committee in accordance with this Policy.

The policy aims at identifying the potential Related Party Transactions, analysis of Related Party Transaction pricing, proper review and approval of Related Party Transactions and Disclosure requirements of related party transactions.

1) Identification of Potential Related Party Transactions

Each Director, Key Managerial Personnel and other related party is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. The notice shall include a description of the transaction and aggregate amount. The Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

2) Prohibitions related to Related Party Transactions

All Related Party Transactions shall require prior approval of Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to following conditions:

a) 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.

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 names 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.

d) Audit Committee shall review, atleast on 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.

Further, all Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions.

Provided that such approval shall not be applicable in following cases:

a) 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.

Explanation II: All the entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

3) Review of Related Party Transactions

The Audit Committee shall be responsible for the review, approval or ratification of the all-Related Party Transactions.

Any Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential

interest in any Related Party Transaction will abstain himself/ herself from discussion and voting on the approval of the Related Party Transactions.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

4) Criteria for approving the Related Party Transaction

In determining whether to approve, ratify, disapprove or reject a Related Party Transaction, the Committee shall take into account, among other factors it deems appropriate, whether the Related Party Transaction is entered into on Arm's Length basis; and the extent of Related Party's interest in the transaction.

The Committee will review the following information when assessing the Related Party Transaction:

a) The nature, duration of the contract and particulars of the contract or arrangement;

b) The approximate value of the transaction and the approximate value of Related Party's interest involved in the transaction;

c) 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;

d) Whether the Related Party Transaction would affect the independence of an independent director;

e) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;

f) The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;

g) 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

h) 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.

i) Any other relevant information regarding the transaction.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

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

a) 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.

b) 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.

5) Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee.

The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction.

The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee as appropriate, may direct those additional actions including, but not limited to immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

6) Prior approval of Shareholders

Under the Companies Act, 2013

In terms of Section 188 of the Companies Act, 2013, the following transactions shall not be entered into without prior consent of the members by way of special resolution in a General Meeting:

i. Sale, purchase or supply of any goods or materials directly or through appointment of agents exceeding 10% of the turnover of the Company or rupees 100 Crore, whichever is lower

ii. Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents 10% of the Net worth of the Company or rupees 100 Crore, whichever is lower

iii. Leasing of property of any kind exceeding 10% of the Net Worth of the Company or 10% of turnover of the Company or rupees 100 Crore, whichever is lower

iv. Availing or rendering of any services directly or through appointment of agents exceeding 10% of the turnover of the Company or rupees 50 Crore, whichever is lower

v. 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.

vi. Remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding one percent of the net worth.

Under the Listing Agreement

a) All related party transactions (whether at arm's length or not) shall require prior approval of the Audit Committee.

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

i. 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.

ii. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.

iii. Such Omnibus approval shall specify (i) the names 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.

iv. Audit Committee shall review, atleast on quarterly basis, the details of RPTs entered into by the Company pursuant to each of the Omnibus approval given.

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

b) Material Related Party Transaction

A transaction with a related party shall be considered 'material' if the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

All material related party transactions shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions.

Provided that such approval shall not be applicable in following cases:

i. Transactions entered into between two government companies;

ii. 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.

Explanation I: Government Company shall have the same meaning as defined in Section 2(45) of the Companies Act, 2013.

Explanation II: All the entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

2. Voting Rights

The Related Party shall abstain from discussions in the Board Meeting where the related transaction is being discussed.

All Related Parties to abstain from voting at the General Meeting where the related transaction is placed before the members for approval.

3. Reporting

All related party transactions (whether at arm's length or not) shall be disclosed in the Board's Report along with details and justification for entering into such transaction.

Details of material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance to the stock exchanges.

The company shall disclose the policy on its website and in the Annual Report.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

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