

WINDLAS BIOTECH LIMITED

POLICY OF MATERIALITY OF THE RELATED PARTY TRANSACTIONS

Introduction:

The Board of Directors (“**Board**”) of Windlas Biotech Limited (“**Company**”) has adopted following Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions (“**Policy**”) of the Company with effect from [•], 2021.

Purpose:

The Regulation 23 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, as amended (“**Listing Regulations**”) requires all listed companies to formulate a Policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions including clear threshold limits duly approved by the Board of Directors. This Policy has been framed for complying with above requirement.

Definitions:

“Act” shall mean the Companies Act, 2013 and the rules framed thereunder, including any modifications, clarifications, circulars or re-enactment thereof.

“Arm’s 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.

“Associate Company” shall mean “Associate Company” as defined in Section 2 (6) of the Act.

“Board of Directors” or “Board” means the board of directors of the Company, as constituted from time to time.

“Company” means Windlas Biotech Limited.

“Director” means a member of the Board of the Company.

“Employees” shall mean the employees and office-bearers of the Company, including but not limited to Directors.

“Key Managerial Personnel” shall mean “Key Managerial Personnel” as defined in Section 2 (51) of the Companies Act, 2013 read with related rules issued thereon.

“Material Related Party Transaction” In accordance with Regulation 23 of the Listing Regulations, shall mean any related party transaction/transactions, to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company. Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be consider material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“Office or Place of Profit” means any office or place:

- where such office or place is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.”

“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 which the Company can undertake as per Memorandum & Articles of Association. The Audit Committee may lay down principles from time to time for determining ordinary course of business in accordance with statutory requirements and other industry practices and guidelines.

“Policy” means Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions.

“Relative” shall mean “relative” as defined in section 2(77) of the Companies Act, 2013 and rules prescribed there under.

“Related Party” means an entity which –

- (a) Is a related party under Section 2 (76) of the Companies Act, 2013 and the rules framed thereunder;
- (b) Is a related party under the applicable accounting standards.
- (c) Provided that any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of the shareholding of the Company shall be deemed to be a Related Party.

“Related Party Transaction” means a transfer of resources, services or obligations between the Company 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.

“Shareholders” means the shareholders of the Company, from time to time.

Policy: -

Procedure

A. Identification of Potential Related Party Transactions:

For the purpose of identification of potential Related Party Transactions, each Director and Key Managerial Personnel shall give notice of disclosure of interest on an annual basis and upon any

subsequent modifications in the last disclosure provided. The Company shall ensure that no transaction is entered into with any Related Party without requisite approvals.

B. Review and approval of Related Party Transactions:

Audit Committee approval:

As per Regulation 23 of the Listing Regulations and Section 177 of the Companies Act, 2013, all the Related Party Transactions shall require prior approval of the Audit Committee whether at a meeting or by resolution by circulation or any other manner as provided by the Act or rules made thereunder or Listing Regulations from time to time, subject to the following:

a. Omnibus Audit Committee approval:

The Audit Committee may grant omnibus approval for Related Party Transactions in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature, provided it is satisfied that there is a need to grant such approval and the same is in the interest of the Company. Such approval may be granted by Audit Committee for the proposed transactions subject to the following:

- a. Transactions are repetitive/frequent in nature;
- b. Transactions are conducted at Arm's Length basis;
- c. Transactions are in the ordinary course of business;

Such omnibus approval shall specify the following:

- Name/s of the related party,
- Nature of transaction
- Period of transaction
- Maximum amount of transaction that can be entered into
- The indicative base price/current contracted price and the formula for variation in the price if any and
- Such other conditions as the Audit Committee may deem fit. Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied/amended.

Any proposed variations/amendments to these factors shall require a prior approval of the Audit Committee.

Provided that where the need for related party transaction cannot be foreseen and the 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.

The Audit Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given. Further, such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of one year.

Board of Directors and Shareholders' approval:

In accordance with Section 188 of the Companies Act, 2013 and Listing Regulations, the Board of Directors and Shareholders of the Company shall accord prior approval for Related Party Transactions, subject to the following:

Board of Directors and Shareholders' approval in terms of Companies Act, 2013: All Related Party Transactions which are either not on arm's length basis or not in the Ordinary Course of Business shall be recommended by the Audit Committee for the approval of the Board of Directors. Provided the transactions as prescribed below shall be further recommend by the Board of Directors for the approval of the Shareholders of the Company by way of ordinary resolution, as provided under Section 188 of the Companies Act, 2013 read with related rules issued thereunder:

Transaction	Transaction Value
Sale, purchase or supply of any goods or materials directly or through appointment of agents	10% or more of turnover of the Company or
Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents	10% or more of net worth of the Company
Leasing of property of any kind	10% or more of turnover of the Company
Availing or rendering of any services directly or through appointment of agents	10% or more of turnover of the Company
Such related party's appointment to any Office or Place of Profit in the Company, its subsidiary company or associate company for monthly remuneration	Monthly remuneration exceeding Rs. 2.5 lakhs
Remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company	Exceeding 1% of net worth of the Company

The turnover or net worth referred above shall be computed on the basis of the audited financial statement of the preceding financial year.

The limits shall apply for these transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

The concerned related party (ies) which are related to that transaction shall not vote to approve such relevant resolution.

Board of Directors and Shareholders' approval in terms of Listing Regulations:

The Listing Regulations require a Company to provide materiality thresholds for transactions beyond which the Shareholders' approval will be required by way of a resolution. The Company has fixed its materiality threshold at the level prescribed under Explanation to Regulation 23(1) the Listing Regulations (i.e. transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeding 10% of the annual consolidated turnover of the Company as per last audited financial statements of the Company). Accordingly, in terms of Regulation 23 of the Listing Regulations, all Material Related Party Transaction shall be recommended by the Board of Directors to the Shareholders for their approval by way of ordinary resolution.

All Material Related Party Transactions shall require approval of the Shareholders through resolution and no Related Party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not:

Provided that the requirements specified herein shall not apply in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

Exemption from obtaining approval in terms of the Listing Regulations:

In terms of Regulation 23 of the Listing regulations, following transactions are exempted from the requirement of obtaining the Audit Committee/Board of Directors/ Shareholders approval:

- Transactions entered into between Windlas Biotech Limited and its wholly owned subsidiary, if any, whose accounts are consolidated with Windlas Biotech Limited. However, an approval of Audit Committee and Board of Directors/ Shareholders as the case may be will be required for above listed transaction as per Section 177 and Section 188 of the Act read with the rules made thereunder.

Related Party Transactions not approved under this Policy:

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transactions, and shall evaluate all options available to the Company, including ratification by it or recommending the Board for their ratification or seeking approval of Shareholders, revision or termination of the Related Party Transactions.

Disclosures

- Particulars of contracts or arrangements with Related Parties referred to in sub-Section (1) of Section 188 shall be disclosed in the Directors Report pursuant to any statutory requirement, if any.
- Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.

- The Company shall disclose this Policy on its website and a web link thereto shall be provided in the Annual Report.

In addition to the above, the Company shall disclose related party transactions on a consolidated basis to the stock exchanges within 30 days from the date of publication of its half yearly standalone and consolidated financial results in the prescribed format, and simultaneously publish the same on its website.

Interpretation

- Any words used in this Policy but not defined herein shall have the same meaning ascribed to it in the Act or rules made thereunder, Listing Regulations, Accounting Standards or any other relevant legislation / law applicable to the Company.
- In case of any dispute or difference upon the meaning/interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final.

In interpreting such term /provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.

Policy Review

This Policy is framed based on the provisions of the Act and rules thereunder and the requirements of the Listing Regulations. In case of any subsequent changes in the provisions of the Act, Listing Regulations or any other regulations which makes any of the provisions in the Policy inconsistent with such changes, the provisions of the Act, Listing Regulations or any other regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with the Act, Listing Regulations or any other regulations.

The Policy shall be reviewed and recommended by the Audit Committee at least once in every three years or as and when any changes are to be incorporate in the Policy due to change in the Regulations or as may be felt appropriate by the Audit Committee, whichever is earlier for approval of the Board of Directors.

Any changes or modification on the Policy as recommended by the Audit Committee would be presented for review and approval of the Board of Directors.