

Policy on Related Party Transactions

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Pursuant to Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

1. Scope and Purpose of the Policy

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (–Act) read with Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015., Covidh Technologies Limited has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Policy on materiality of related party transactions and dealing with related party transactions. In the light of the above, Covidh Technologies Limited has framed this Policy on Related Party Transactions (–Policy). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to adoption by the Board.

2. Objective of the policy

This policy is framed as per requirements of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, hereinafter referred to as 'the Listing Regulations' and the provisions of Companies Act, 2013 (the "Act") including Rules made there under, as amended from time to time and intends to ensure proper governance and reporting of transactions between the Company and its Related Parties.

3. Definitions

Arm's length transaction means a transaction between 2 (two) related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

Audit Committee or Committee means Audit Committee constituted by the Board of Directors of the Company under the provisions of Listing Regulations and the Companies Act, 2013, from time to time.

Board of Directors or Board means the Board of Directors of Covidh Technologies Limited, as constituted from time to time.

➤ **Key Managerial Personnel** in relation to a company, means—

- the Chief Executive Officer or the Managing Director or the Manager;
- the Company Secretary;
- the Whole-time Director;
- the Chief Financial Officer; and

- such other officer, not more than one level below the directors who is in whole time employment, designated as key managerial personnel by the Board; and
- such other officer as may be prescribed under the provisions of Listing Regulations and the Companies Act, 2013, from time to time.

➤ **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 Rs. 1,000 crore or 10% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the Company, whichever is lower.
- 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, exceeds 5% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

- **Material Modification** means any modification to the existing transaction, approved by the Audit Committee or the Board as the case may be, with the Related Party shall be considered as material modification, if such change results into variation in the transaction value exceeding 10% (Ten percent) of transaction approved by the Audit Committee or Board as the case may be, or subsequent modifications from time to time or change in the material terms of transaction.

Audit Committee of the Company may determine material modification to any approved related party transaction on a case-to-case basis.

- **Related Party** means a related party as defined under regulation 2(1)(zb) of Listing Regulations, sub-section 2(76) of the Act or under the applicable Accounting Standards, as may be amended/ modified from time to time.

- **Related Party Transaction** shall mean all transactions as defined under Section 188 of the Act and Regulation 23(1)(zc) of the Listing Regulations as may be amended from time to time and such Related Party Transaction regardless of whether a price is charged and involving transfer of resources, services or obligations between:

- the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- the Company 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 the Company or any of its subsidiaries (This clause shall come into effect from April 1, 2023);

- **Relative** means anyone who is related to another, if-

- they are members of a Hindu Undivided Family
- they are husband and wife
- Father (including step father)
- Mother (including step mother)
- Son (including step son)
- Son's wife
- Daughter

viii. Daughter's husband

ix. Brother (including step brother)

x. Sister (including step sister)

➤ **Ordinary course of business** means transactions that are connected to or necessary for business of the Company and satisfy the following principles:

- a. The transaction is permitted under the Memorandum of Association of the Company;
- b. The transaction is carried on a frequent or regular basis or is as per the industry practice;
- c. The transactions, if not frequent, are important and in furtherance to the business objectives of the Company;
- d. This is not exhaustive criteria and the Company should assess each transaction considering its specific type, nature, value and circumstances.

4. Manner of dealing with Related Party Transaction

Identification of Related Parties

Covidh Technologies Limited has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Identification of Related Party Transactions

Covidh Technologies Limited has formulated guidelines for identification of related party transactions in accordance with Section 188 of the Act and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Covidh Technologies Limited has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company will seek external domain expert professional opinion, if necessary.

Procedure for approval of Related Party Transaction

Approval of the Audit Committee

All related party transactions require prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

- a) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy and such approval shall be applicable in respect of repetitive transactions;
- 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) The omnibus approval shall provide details of (i) the name/s of the related party, nature of transaction, period of transaction, maximum aggregated value of the particular type of transaction that can be entered into, (ii) basis of arriving at 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. However, in case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided

the value does not exceed Rs.1 crore per transaction. The transaction under this category will also be reported to the Audit Committee.

- d) The Audit Committee shall review, at least on a quarterly basis, the aggregated value and other details of related party transactions transacted into by the company pursuant to each of the omnibus approval given;
- e) Such omnibus approval shall be valid for 1 year.

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

1. Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed (including transfer of resources) – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
2. Key terms (such as price and other commercial terms contemplated under the arrangement) of the proposed transaction, including value and quantum;
3. Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
4. Special terms covered / to be covered in separate letters or undertakings or any other
5. special or sub arrangement forming part of a composite transaction;
6. Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
 - a) market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 - b) third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;
 - c) management assessment of pricing terms and business justification for the proposed transaction;
 - d) comparative analysis, if any, of other such transaction entered into by the company .

Approval of the Board of Directors of the Company

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval. In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

1. Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
2. Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
3. Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval;
4. Transactions meeting the materiality thresholds laid down Clause 5 of the Policy, which are intended to be placed before the shareholders for approval

Approval of the Shareholders of the Company

All the transactions with related parties exceeding the materiality thresholds, laid down in Clause 4 of the Policy, are placed before the shareholders for approval. For this purpose, all 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. In addition

to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not at Arm's Length or in the ordinary course of business; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.