

**KWALITY WALL'S (INDIA) LIMITED**

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

## **1. SCOPE OF THIS POLICY**

Kwality Wall's (India) Limited ("Company") is committed to laying a strong foundation of good corporate governance. From the beginning, the Company has adopted the practice of conducting transactions with related parties on an arm's length basis, ensuring they are in the ordinary course of business and aligned with transparent and ethical standards.

This Policy intends to ensure that adequate disclosures, approvals and reporting processes are in place for all transactions between the Company and one or more of its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

## **2. OBJECTIVE OF THIS POLICY**

The board of directors of the Company ("Board") has adopted this Policy on Materiality of Related Party Transaction & Dealing with Related Party Transactions ("Policy") in line with the requirements provided under the Companies Act, 2013 ("Companies Act"), the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and Industry Standards on "Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions" (RPT Industry Standards) as amended from time to time, respectively. This Policy is intended to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and its Related Parties. This Policy specifically deals with the review and approval of Material Related Party Transactions keeping in mind the potential or actual conflicts of interest that may arise because of entering these transactions.

## **3. DEFINITIONS AND APPLICABILITY**

All terms used in this Policy shall have the same meaning as is assigned to them under the Companies Act, the Listing Regulations, RPT Industry Standards and rules, notifications and circulars issued thereunder, from time to time.

## **4. DEALING WITH RELATED PARTY TRANSACTIONS**

All Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee.

All Material Related Party Transactions and Material Modifications shall require prior approval of the Shareholders of the Company in accordance with this Policy. In dealing with Related Party Transactions, the Company will follow the below mentioned approach:

### ***a. Identification of Related Parties and Related Party Transactions***

Each Director and Key Managerial Personnel shall at the beginning of financial year, disclose to the Company Secretary and/or Compliance Officer of the Company their Related Parties and disclose any changes thereto during the financial year as immediately as practicable.

Further, Directors and KMPs should also disclose whether they directly or indirectly or on behalf of the third party have, material interest in the proposed transaction(s) or matter directly affecting the Company.

The list of Related Parties arising from such declarations will be compiled by the Company Secretary and shared with the Business / Functional Heads including with Finance team.

The Company shall also identify and update the list of related parties as prescribed under Section 2(76) of the Companies Act read with the Rules framed there under and Regulation 2(1)(zb) of the Listing Regulations.

The Board shall record all disclosures of interest, and the Audit Committee will evaluate whether the transaction is conducted in the ordinary course of business and on an arm's length basis.

Finance department would establish a mechanism in the system to track new transactions/ agreements/ arrangements made with Related Parties, from time to time and shall also be responsible for maintenance of records and monitoring statutory threshold for shareholder approval.

The Company shall identify related party transactions in accordance with Section 188 of the Companies Act and Regulation 2(1)(zc) of the Listing Requirements.

All Related Party Transactions (RPTs) and any subsequent material modifications must be identified and reported to the Audit Committee for review and approval.

In order to determine whether the transaction is in the ordinary course of business and valued at arm's length pricing basis and for this purpose, the Audit committee and / or the Company may seek external professional opinion, if necessary.

#### ***b. Approval and Review of Related Party Transactions***

The compliances under Companies Act and Listing Regulations have to be construed harmoniously, however, in the instance of variance between Companies Act and Listing Regulations, the stricter regime shall prevail over the other.

A snapshot of approval matrix for a Related Party Transaction under Companies Act and Listing Regulations is as below.

<b>Approving authority</b>	<b>Companies Act</b>	<b>Listing Regulations</b>
Approval of Audit Committee	<i>Requirement: Yes (required for all Related Party Transactions and subsequent modifications)</i>  <i>Restrictions: NA</i>	<i>Requirement: Yes (required for all Related Party Transactions where the Company is a party and Material Modifications)</i>  <i>In case of Related Party Transactions where the unlisted</i>

	<p><b>Omnibus approval:</b> The Audit Committee may grant omnibus approval for Related Party Transactions which are repetitive in nature and subject to certain criteria/conditions as required under Rule 6A of Companies (Meetings of Board and its Power) Rules, 2014 (MBP Rules) and such other conditions as it may consider necessary in line with this policy and in the interest of the Company.</p>	<p>subsidiary is a party but the Company is not a party, the Audit Committee approval required only if the transaction exceeds Rs. 1 crore and thresholds (like turnover, paid-up share capital, securities premium etc.) or other criteria's as prescribed by the Listing Regulations from time to time.</p> <p><b>Restrictions:</b> Only independent directors who are part of the audit committee shall vote on this resolution for approval.</p> <p><b>Omnibus Approval:</b></p>
Approval of Board	<p><b>Requirement:</b> Yes (required for transactions listed in 188(1)) of Companies Act – which are not in Ordinary Course of Business or is not at Arm's Length basis.</p> <p><b>Restrictions:</b> Where any Director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.</p>	NA
Approval of Shareholders	<p><b>Requirement:</b></p> <ul style="list-style-type: none"> <li>(a) transactions which fall within the ambit of Rule 15 of MBP Rules, and</li> <li>(b) transaction is either not in the Ordinary Course of Business or is not at Arm's Length basis.</li> </ul> <p><b>Restrictions:</b> A member which is a related party shall not vote.</p>	<p><b>Requirement:</b> For Material Related Party Transactions or Material Modifications.</p> <p><b>Relevant provision:</b> Regulation 23(4) read with proviso to Regulation 23(1) and Regulation 23(1A) of Listing Regulations.</p>

		<i>Restrictions:</i> No related party shall vote to approve a material RPT whether they are a party to the particular transaction or not
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The Audit Committee, at the time of approval of RPTs, shall take into consideration the certificate to be placed before it by the Chief Executive Officer or Managing Director, Whole Time Director and Chief Financial Officer of the Company, confirming that the terms of RPTs proposed to be entered into are in the interest of the Company. This certificate shall be placed before the Audit Committee in terms of the RPT Industry Standards

### ***Omnibus Approvals***

The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely:

- i. Maximum value of transactions, in aggregate, which can be allowed under the omnibus route in a year;
- ii. Maximum value per transaction which can be allowed;
- iii. Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
- iv. Review of RPTs at such intervals as the Audit Committee may deem fit, entered into by the Company pursuant to each of the omnibus approval made;
- v. Transactions which cannot be subject to omnibus approval by the Audit Committee.

Based on the aforementioned criteria, the Audit Committee may, in the interest of the conduct of affairs of the Company, grant omnibus approval to Related Party Transactions that are repetitive in nature.

Such omnibus approval will be granted to the transactions which, in addition to meeting the above criteria, also satisfy the following considerations:

- (a) The transaction is in the business interest of the Company;
- (b) The requisite information is presented to the Audit Committee's satisfaction, to confirm that the transaction is at Arm's Length and in Ordinary course of business;
- (c) 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 value and the formula for variation in the value, 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 based on the criteria as may be decided by the Audit Committee, subject to such limits as may be prescribed by the Companies Act and Listing Regulations.

The validity of omnibus approval shall be for a period not exceeding one year and shall require fresh approval after the expiry of one year.

The Audit Committee shall, on quarterly basis, review the details of the Related Party Transactions entered by the Company pursuant to the omnibus approval. The Audit Committee shall also review the status of long-term (more than one year) or recurring Related Party Transactions on an annual basis.

In an unforeseen event where a Related Party Transaction, for which omnibus approval has not been given by the Audit Committee, needs to be entered due to business exigencies between two Audit Committee meetings, the Committee may approve such Related Party Transaction by passing a resolution by circulation, after satisfying itself that such transaction is in the interest of the Company.

The members of the Audit Committee, who are independent directors, may ratify the related party transactions within 3 months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier. Ratification is subject to conditions as specified in the Listing Regulations

In case of a failure to seek ratification of the Audit Committee, the transaction is voidable at the option of the Committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it.

### ***Conflict of interest***

When Audit Committee approval is being sought, any member of the Audit Committee, who has a potential interest in any Related Party Transaction, will recuse himself or herself and abstain from voting on the approval or ratification of such Related Party Transaction. Such member may, however, participate in discussions with respect to other Related Party Transactions placed for approval or ratification of the Audit Committee.

### ***c. Related Party Transactions that shall not require Approval***

- a) Transactions entered between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- b) Transactions entered between two wholly owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval. Following transactions shall not require separate approval under this Policy provided the value of transaction(s) does not breach the prescribed materiality thresholds for Related Party Transactions.
- c) Remuneration and sitting fees paid by the Company or its subsidiaries to its directors, key managerial personnels or senior management, except who is part of promoter or promoter group, provided that the same is not material in terms of the provisions of Regulation 23 of the Listing Regulations.

## **5. MATERIAL RELATED PARTY TRANSACTION AND SUBSEQUENT MATERIAL MODIFICATION**

All Material Related Party Transactions and subsequent Material Modification shall be placed before the shareholders for seeking their prior approval through a resolution. The following materiality threshold shall apply for the Material Related Party Transactions and subsequent Material Modification for the purposes of Companies Act, 2013 and Listing Regulations:

- a. Transactions with a Related Party covered under Rule 15(3) of the MBP Rules shall be governed by the respective limits provided under the said rules.
- b. Transactions with a Related Party as defined under the Listing Regulations, materiality threshold shall be as per limits specified under the Listing Regulations as amended from time to time.
- c. For payment to a Related Party with respect to brand usage or royalty, materiality threshold shall be as per limits specified under the Listing Regulations as amended from time to time.
- d. Modification to a Material Related Party Transaction shall be considered as 'Material Modification' if there are major variation in the terms of agreement with existing Related Parties or changes in the regulatory framework affecting the pricing guidelines of Related Party Transactions or change to the extent of 20% higher than the existing limits as approved by the Audit Committee. The Audit Committee of the Company shall have the final authority in deciding the materiality of the modification to Related Party Transactions.
- e. Where shareholders approval is being sought for the approval of a material related party transaction or material modification(s) thereof, all entities falling under the definition of Related Parties shall not vote to approve the Related Party Transaction irrespective of whether the entity is a party to the particular transaction or not.
- f. Omnibus approvals by shareholders granted in Annual General Meetings (AGM) will be valid until the next AGM or for a maximum of 15 months, whichever is earlier.
- g. Omnibus approvals by shareholders granted in general meetings other than AGM, the validity of such approval will be up to 1 year.

## **6. DISCLOSURE(S)**

Every contract or arrangement entered into in pursuance of a Related Party Transaction in terms of Section 188 of the Companies Act shall be disclosed as part of form AOC-2 and attached to the Board Report.

The Company shall place all the information, as specified in RPT Industry Standards read with the provisions of Listing Regulations, Companies Act or any other information specified by SEBI from time to time, for review of the Audit Committee or shareholders, as the case may be, while seeking their approval of the RPTs.

Details of all Related Party Transactions on a consolidated basis shall be submitted to the Stock Exchanges and disseminated on the website of the Company, on a half yearly basis, along with the half yearly standalone and consolidated financial statements.

The Company shall disclose this Policy on its website and provide weblink in the Annual Report.

In addition to the disclosures required under Accounting Standard, Related Party Transactions that are not at arm's length basis and Material Related Party Transactions that are at arm's length or such other transactions as may be statutorily required, shall be disclosed in the Annual Report of the Company.

## **7. GOVERNANCE OF THE POLICY**

The Company may constitute a Steering Committee which will be headed by the Chief Financial Officer and the Company Secretary and will have such members from Finance, Corporate Secretarial and other functions as may be determined by the Chief Financial Officer and the Company Secretary. The Steering Committee shall meet periodically to ensure that the actions agreed with the Audit Committee and the Board with respect to Related Party Transactions has been implemented. The Steering Committee shall also ensure that the systems and processes are in place for identification and approval of Related Party Transactions as per this Policy.

## **8. CONFLICTS IN THE POLICY**

This Policy is framed based on the provisions of the Companies Act and Listing Regulations. In case of any subsequent changes in the applicable law which make the provisions in the Policy inconsistent with the applicable law, the provisions of the applicable law shall prevail over the Policy and the provisions in the Policy shall be modified in due course to make it consistent with the law.

## **9. REVIEW OF THE POLICY**

The Committee shall periodically review the Policy, which will include an assessment of the effectiveness of the Policy.

The Committee will discuss any revisions that may be required and recommend any such revisions to the Board for approval.