

## POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

### **Preamble:**

The Board of Directors (the "Board") of AVT Natural Products Limited (the "Company") has adopted the following policy and procedures with regard to Related Party Transactions. The Audit Committee will review and may amend this policy from time to time.

This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company.

### **Purpose:**

The policy is framed as per requirement of Regulation No 23(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 as amended from time to time, and 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 shareholders. The company is required to disclose on a half yearly basis, disclosures of related party transactions on a consolidated basis in the formats as prescribed by the board from time to time.

### **Definitions:**

**"Audit Committee or Committee"** means Committee of Board of Directors of the Company constituted under provisions of SEBI (Listing Obligations and Disclosures requirements) Regulations, 2015 and Companies Act, 2013

**"Board"** means the Board of Directors of the Company

**"Policy"** means Related Party Transaction Policy

**"Related"** means and entity shall be considered as related to the Company if:

- as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards
- any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.

**“Related Party Transaction”** means a transfer of resources, services or obligations between a listed entity 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 and would include

- i. transactions specified under Section 188 (1) of the Companies Act, 2013.
- li. transactions specified under Regulation 2(1)(zc) of LODR

**“Material transactions”** 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, ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

Notwithstanding the above, a 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, exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

**“Relative”** means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed there under.

**"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.

**“Material modifications”** means any modification to an existing related party transaction having variance of 25% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation.

**Policy:**

All related party transactions and subsequent material modifications shall require prior approval of the audit committee provided only those members of

the audit committee, who are independent directors, shall approve related party transactions.

A related party transaction to which the subsidiary of the company is a party, but the company is not a party, shall require prior approval of the audit committee of the company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the company.

**Procedures and approval of Related Party Transactions:**

- a. The Company shall not enter into any contract or arrangement with a Related Party without the approval of the Audit Committee.
- b. Prior approval of the Audit Committee shall be obtained for all Related Party Transactions other than those with exempted Wholly Owned Subsidiaries (whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval).
- c. The Audit Committee may, in the interest of the conduct of affairs of the Company, grant omnibus approval for Related Party Transactions that are repetitive in nature, subject to the following conditions:
  - a. The name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
  - b. The value per transaction shall not exceed Rs.1 crore.
  - c. The indicative base price / current contracted price and the formula for variation in the price, if any; and
  - d. Such other conditions as the Audit Committee may deem fit.
- d. The Audit Committee may also, in the interest of the conduct of affairs of the Company, grant omnibus approval for Related Party Transactions that cannot be foreseen and for which the aforesaid details are not available up to a value of Rs. 1 crore per transaction.
- e. The audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.

- f. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year
- g. In the event any contract or arrangement with a related party is not in the ordinary course of business or at arm's length, the Company shall comply with the provisions of the Companies Act 2013 and the Rules framed there under and obtain approval of the Board or its shareholders, as applicable, for such contract or arrangement.
- h. All material related party transactions and subsequent material modifications as defined by the audit committee and included in the policy shall require prior 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.
- i. All entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not

**Exemptions:**

Nothing contained in this policy shall apply to any contract or arrangement:

- 1. in the ordinary course of its business; or
- 2. at arms' length price.
- 3. between the Company and any other partner of the firm in which Director / Manager/ Relative is a partner.
- 4. Service availed in a professional capacity from body corporate/person.
- 5. Contract with a private or public company in which relative of a Director I Manager is a director I member.
- 6. The following transaction(s) undertaken by the Independent Director with the Company or its holding, subsidiary, or associate company or their promoters or directors during the year and during two immediately preceding financial years shall not fall in the ambit of pecuniary relationship with the Company:
  - i. transaction(s) done in ordinary course of business at arm's length;
  - ii. receipt of remuneration by way of sitting fees;
  - iii. re-imbusement of expenses for attending board and other meetings;
  - iv. any profit related commission as approved by members.

**Amendment to the policy:**

The Board shall review and update the policy once in every three years.

**The Policy shall come in force from 01.04.2022**