

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS
APPROVED BY THE BOARD OF DIRECTORS AT ITS MEETING HELD ON 30TH
MAY 2022

BACKGROUND

Pursuant to clause 49 of the erstwhile Listing Agreement, the Board [which meets the criteria of Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015] had approved a Policy on Materiality of Related Party Transactions. SEBI has notified certain amendments in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (SEBI Listing Regulations) requiring certain changes to be made in the Policy.

1. Purpose of the policy:

- a. Kerala Ayurveda Limited (“KAL”) is governed, amongst others, by the rules and regulations framed by Securities Exchange Board of India (“SEBI”). SEBI has mandated every listed company to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.
- b. Accordingly, the Company has formulated this policy (Policy) on materiality of Related Party Transactions and on dealing with Related Party Transactions. This Policy regulates all transactions between the Company and its Related Parties (as defined below).
- c. 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 rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower. 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 two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- d. The Board of Directors of the Company (“Board”) on recommendation of the Audit Committee of the Company (“Audit Committee”) shall review the Policy once in three years and may amend the same from time to time.

2. Definitions

- a. **“Act”** shall mean the Companies Act, 2013 and includes any amendment thereof.
- b. **“Material modification” shall mean**

All capitalized terms used in this Policy but not defined herein shall have the meaning assigned to such term in the Act and the Rules thereunder and the SEBI (Listing Obligations and

Disclosure Requirements) Regulations, 2015 (Listing Regulations), as amended from time to time.

3. Review and approval of Related Party Transaction

Approval of Related Party Transactions

A. Audit Committee

3.A.1. All related party transactions and subsequent material modifications should be pre-approved by the Independent Directors of Audit Committee before entering into such transaction. The Audit Committee shall consider all relevant factors while deliberating the Related Party Transactions for its approval.

3.A.2. Any member of the Audit Committee who has a potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party transaction. A Related Party Transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length price, would require approval of the Board or of shareholders as discussed subsequently.

3.A.3. The Audit Committee may grant omnibus approval for Related Party Transactions which are repetitive in nature and subject to such criteria/conditions as mentioned under Regulation 23(3) of the Listing Regulations and such other conditions as it may consider necessary in line with this Policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

3.A.4. The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to the omnibus approval. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

3.A.5. A Related Party Transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for ratification.

B. Board of Directors

3.B.1. In case any Related Party Transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such

modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

C. Shareholders

3.C.1. All material related party transactions and subsequent material modifications as per Regulation 23 of the Listing Regulations, or (ii) not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Companies Act, 2013, it shall require shareholders' approval by a special resolution. In such a case, any member of the Company who is a Related Party, shall not vote on resolution passed for approving such Related Party Transaction.

D. Reporting of Related Party Transactions

3.D.1. Every contract or arrangement, which is required to be approved by the Board or the shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement

3.D.2. The details of all material transactions with related parties shall be disclosed on a quarterly basis along with the compliance report on corporate governance filed with the stock exchanges under Listing Regulations.

4. Limitation and Amendment

In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

A related party transaction to which the subsidiary of a listed entity is a party, but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered 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 listed entity with effect from 01 st April 2022

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

subsidiary with effect from 01st April 2023

The listed entity shall make the disclosures specified above in point 1 every six months within fifteen days from the date of publication of its standalone and consolidated financial results

With effect from 01st April 2023 the disclosures specified above in point 1 shall be made every 6 months on the date of publication of its standalone and consolidated financial results

What amendments are required in the RPT Policy to bring it in line with the amended Regulations? The listed companies need to amend the RPT policy to include the following: 1. Revised definition of Related Party; 2. Revised definition of Related Party Transaction; 3. Revised definition of Material Related Party Transaction; 4. Define material modification to a RPT ; 5. Approval mechanism for RPT; 6. Expanded role of Audit Committee in approving RPT

Place: Bangalore

Date: 30th May 2022

Sd/-

Ramesh Vangal

Chairman