

VASHISHTHA LUXURY FASHION LIMITED

Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions

1. Introduction And Background

Vashishtha Luxury Fashion Limited (**the "Company"**) recognizes that related party transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company's and its stakeholders' best interests.

In consideration to above the requirement for approval of Related Party Transactions as prescribed under the Companies Act, 2013 ("**Companies Act**") read with the Rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR Regulations**") as amended from time to time, the Company has adopted this Policy regarding the review and approval of Related Party Transactions and to set forth the guidelines on materiality of such Related Party Transactions.

The Code has been formulated and adopted by the Board on the meeting held on 1st July 2024 and shall be applicable with immediate effect.

2. Scope & Inclusion

This policy sets definition of materiality of related party transactions, definition of material modification in related party transactions and dealing with related party transactions.

3. Terms And References

"Board" means Board of Directors of the Company.

"Audit Committee" means Audit Committee constituted by the Board of Directors of the Company.

"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.

"Relative" means a relative as defined under Section 2(77) of the Act and the Rules made thereunder and Regulation 2(1)(zd) of the Listing Regulations.

"Related Party" shall have the meaning given to it under the LODR Regulations.

"Related Party Transaction" means related party transaction as defined under Regulation 2 (1) (zc) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time ("Listing Regulations").

"Material Related Party Transactions" shall mean a transaction with a Related Party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds the following thresholds:

- (a) In case of transaction involving payments made with respect to brand usage or royalty, if it exceeds 5% of the annual consolidated turnover of the Company as

per its last audited financial statements.

- (b) In case of any other transaction, if the amount exceeds Rs. 1,000 Crores or 10% percent of the annual consolidated turnover of the Company as per its last audited financial statements of the Company, whichever is lower.

“Material Modification” means –

- any modification to an approved related party transaction that results in transaction no longer being at an arms’ length transaction.
- in case of contract or arrangement for purchase, supply or sale of goods or rendering or availing of services, leasing of property of any kind, an upward or downward 10 percent revision to the original contract/arrangement value, or in the pricing criteria.
- Modification in the regards to the duration of the contract or arrangement of Related Party Transaction beyond the specified period as decided at the time of entering into such contract or arrangement.
- Such other criteria as the Audit Committee may determine from time to time.

“Subsidiary” means a subsidiary as defined under sub-section (87) of section 2 of the Companies Act, 2013.

“Ordinary Course of Business” means all such acts and transactions undertaken by the Company -

- in the normal routine in managing trade or business; or
- is permitted by the Memorandum of Association of the Company; or
- which fall under the purview of the business objectives, operational activities, and/or financial activities; or
- meets any such other criteria as may be decided by the Board/ Audit Committee

Any other term not defined herein shall have the same meaning as defined in the Companies Act, the LODR Regulations, notifications and circulars issued thereunder or any other applicable law or regulation.

4. Identification & Monitoring of Related Parties

Directors Disclosure from the Directors/Key Managerial Personnel (**“KMPs”**) shall be received by the Company at the beginning of every financial year regarding his concern or interest in the entity with specific concern to the parties which may be considered as Related Party with respect to the Company and shall also provide the list of relatives which are regarded as Related Party as per this Policy.

The Company shall based upon the above disclosures consolidate the list of all the existing and potential Related Parties for the Company and the said list shall be amended/reviewed from time to time basis.

The Directors/ KMP’s of the Company should promptly communicate to the Company, any subsequent changes in the initial disclosure submitted by them in the beginning of the financial year.

5. Approval of Related Party Transactions

A. By Audit Committee:

- a) Prior approval of the Audit Committee shall be required for all Related Party Transactions and subsequent Material Modifications, except for the transactions entered into between the Company and its wholly owned subsidiary(ies) or 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.
- b) Prior approval of the Audit Committee shall also be required for a Related Party Transaction to which only the subsidiary of the Company is a party, but the Company is not a party; if the value of such transactions either individually or together with previous transactions in the financial year exceed the limits prescribed under LODR Regulations.

Provided that, prior approval of the Audit Committee shall not be required for a Related Party Transaction entered into by a Listed Subsidiary of the Company, where the Listed entity is not a party to the Related Party Transaction and Regulation 23 as well as sub-regulation (2) of Regulation 15 of LODR Regulations is applicable to the Listed Subsidiary.

- c) 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 the transaction, in aggregate, which can be allowed under the omnibus route in a year.
 - (ii) The 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, at least once every quarter, related party transactions entered into by the Company pursuant to each omnibus approval made.
 - (v) Transactions which cannot be subject to the omnibus approval by the Audit Committee.
 - (vi) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into.
 - (vii) the indicative base price / current contracted price and the formula for variation in the price if any.
- d) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -
 - (i) Repetitiveness of the transactions (in past or in future).
 - (ii) Justification for the need of omnibus approval.
- e) Any member of the Audit Committee interested in any Related Party Transaction shall not vote to approve the Related Party Transaction. Furthermore, only those members of the Audit Committee who are Independent Directors, shall approve Related Party Transactions.
- f) Such omnibus approvals shall be valid for a period not exceeding 1 (one) year

and shall require fresh approvals after the expiry of 1 (one) year.

- g) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- h) Omnibus approval shall be subject to such other conditions as the Audit Committee may deem fit.

B. By Board of Directors:

- a) Prior approval of the Board through a resolution passed at the meeting of the Board shall be necessary for entering into the Related Party Transactions which are not in the ordinary course of business or not an Arm's Length Transaction, whether or not it is material Related Party Transactions.
- 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.
- c) The Policy shall be reviewed by the Board on an yearly basis.

C. By Shareholders

- a) All Material Related Party Transactions and subsequent material modifications shall be placed before the shareholders for their prior approval and no Related Party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.
- b) The requirement for obtaining shareholders' approval is not applicable for the transactions entered into between the Company and its wholly owned subsidiary(ies) whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- c) The Related Parties shall abstain from voting as Shareholders in case of Related Party Transactions which requires the approval of the shareholders.

6. Disclosure of Related Party Transactions

The particulars of contracts or arrangement with Related Parties as referred in this Policy shall be disclosed in the report of the Board to the shareholders along with the justification for entering not such contract or arrangement.

Adequate disclosure of all material transactions with related parties shall be disclosed in the Corporate Governance Report which are required to be submitted to the Stock exchange on time to time basis.

The Company shall disclose the Policy on dealing with Related Party Transactions on its website and also a web link thereto shall be provided in the Annual Report

Related Party relationships and transactions with them shall be disclosed in the Financial Statements as per the requirements of relevant Accounting Standards.

7. Related Party Transactions Not Approved Under This Policy

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee.

The Audit Committee shall consider all the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of non disclosure of such Related Party Transaction to the Company under this Policy, and shall take any such action it deems appropriate.

8. Conflict In Policy

All Related Party Transaction(s) of the Company shall be in compliance with the provisions of the Act, Listing Regulations and applicable Accounting Standards, as amended from time to time

In the event of conflict or inconsistency between the provisions of this policy and the provisions of the applicable laws, the policy shall be construed and interpreted in consonance with the applicable laws and in the failure of such harmonic interpretation and construction, the applicable laws shall prevail.

9. Review and Amendment of the Policy

The Board and/or its committees reserves the power to review and amend this Policy from time to time. All provisions of this Policy would be subject to revision / amendment in accordance with the applicable law issued by relevant statutory, governmental and regulatory authorities, from time to time.
