ZIM Laboratories Limited

Policy on Materiality of and dealing with Related Party Transactions

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SCOPE AND PURPOSE OF THE POLICY

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 requires a Company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In light of the above, ZIM Laboratories Limited has framed this Policy on Related Party Transactions ("Policy") to comply with the requirement of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in terms of Section 188 of the Companies Act, 2013 read with the relevant rules and applicable accounting standards and intends to ensure the adherence to approval, disclosure and reporting requirements of Related Party Transactions as laid down. Such Related Party transactions are considered appropriate only if they are in the best interests of the Company and its shareholders. This Policy has been adopted by the Board of Directors of the Company. This Policy is framed to ensure the proper identification, approval, monitoring and reporting of transactions between the Company and its Related Parties.

OBJECTIVE OF THE POLICY

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions; (b) material modifications to the Related Party Transactions and (c) the manner of dealing with the related party transactions in conformity with the Act, Listing Regulations, and any other laws and regulations as may be applicable to the Company.

DEFINITIONS

- **Act:** shall mean the Companies Act, 2013.
- **Accounting Standards**: means the Standards of accounting or any addendum thereto for companies or class of companies referred to in Section 133 of the Act.
- **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.
- **Company:** ZIM Laboratories Limited.
- **Key Managerial Person**: shall have the meaning as per Section 2(51) of the Act.
- **Listing Regulations:** means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- **Ordinary course of business**: would include usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and all

such activities which the Company can undertake as per Memorandum & Articles of Association.

- **Relative:** shall have the same meaning as assigned under Section 2(77) of the Act and Regulation 2(1)(zd) of the Listing Regulations.

- **Related Party**: shall have the same meaning as assigned under Section 2(76) of the Act, Regulation 2(1)(zb) of the Listing Regulations or under the applicable accounting standards and subsequent amendments thereto.

- **Related Party Transaction**: shall have the same meaning as assigned under Regulation 2 (1)(zc) of the Listing Regulations.

- **Subsequent material modifications:** means any modification in the value/ arrangement/ terms and conditions of Related Party Transaction approved by the Audit Committee/Board/Shareholders as the case may be.

- **Unforeseen Related Party Transaction:** means a Related Party Transaction, where the need for such transaction cannot be foreseen, the details whereof necessary for seeking an omnibus approval of the Audit Committee are not available and the value of such transaction does not exceed Rupees One Crore per transaction.

Any other term not defined herein shall have the same meaning as defined in the Act, the Listing Regulations or any other applicable law or regulation.

MATERIALITY THRESHOLDS

A transaction with a related party shall be considered material if the transaction(s) to be entered individually or taken together with previous transactions during a financial year, exceeds the limits as prescribed under Regulation 23 read with the Schedule XII of the Listing Regulations from time to time.

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 the limits as prescribed under Regulation 23 of the Listing Regulations from time to time.

MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

All Related Party Transactions, and any subsequent modifications therein, should be placed before the Audit Committee for its prior approval in accordance with the applicable regulations and this Policy.

a. Identification of related parties
Company identifies and updates the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Listing Regulations on a regular basis.

b. Identification of related party transactions
Each director and Key Managerial Personnel are responsible for providing advance notice to the Board or Audit Committee of any potential Related Party Transaction involving him/her or his/her relative, including any additional information about the transaction that the Board or Audit Committee may request. The Board shall record the disclosure of Interest; and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS

1. **Approval of the Audit Committee**

- All Related Party Transactions and Subsequent Material Modifications thereof shall require prior approval of the Audit Committee and only those members who are Independent Directors shall approve the Related Party Transactions.

  Provided that 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, if the value of such transaction, whether entered into individually or taken together with previous transactions during a financial year, exceeds the limits as prescribed under Regulation 23(2) of the Listing Regulations from time to time.

- A prior approval of the Audit Committee shall be required for all Related Party Transactions except for the following:

  a) transactions 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 of the Company for approval ("WOS Transactions")

  b) transactions entered into between two wholly-owned subsidiaries of the Company whose accounts are consolidated with the Company and placed before the shareholders at the general meeting of the Company for approval

  c) transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand.

Provided that any of the above Related Party Transaction which is not in the ordinary course of business or not at arm's length shall require a prior approval of the Audit Committee.

- The approvals as necessary for the remuneration to be paid to the directors including promoter, directors, Senior Management Personnel of the Company and the subsidiaries shall be taken in accordance with Regulation 23(2)(e) and such other applicable provisions of the Listing Regulations and the Act.

- All related party transactions and Subsequent Modifications require prior approval of the Audit Committee. However, the Company and its subsidiaries may obtain omnibus approval from the Audit Committee for such transactions, which are routine and repetitive in nature and which satisfy the criteria for omnibus approvals, as prescribed under the Act and the Listing Regulations.

  a) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the applicable provisions of the Act, Listing Regulations and the Policy and such approval shall be applicable in respect of repetitive transactions;

  b) The Audit Committee shall justify itself the need for such omnibus approval and that such approval is in the interest of the company;

  c) Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiaries subject to the conditions set forth in Listing Regulations, the Companies Act, 2013, and the criteria laid down by the Audit Committee for granting the omnibus approval. Such omnibus approval shall be valid for one year and fresh approvals are required after the expiry of one year.

  d) The Audit Committee shall review, at least on quarterly basis, the details of Related party transactions entered into by the Company or its subsidiaries with respect to each of the omnibus approvals given.

  The omnibus approval granted by the Audit Committee shall include the particulars as specified in Regulation 23(3)(c) of the Listing Regulations including subsequent amendments thereto.

- Where the need for the Related party transaction cannot be foreseen and the details as specified in Regulation 23(3)(c) of the Listing Regulations are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees One Crore per transaction.

- Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

- 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:

a) Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;

b) Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;

c) Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;

d) Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;

e) Benchmarking information that may have a bearing on the arm's length basis analysis, such as:

i. market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
ii. third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;
iii. management assessment of pricing terms and business justification for the proposed transaction;
iv. comparative analysis, if any, of other such transaction entered into by the Company.

2. <u>Approval of the Board of Directors of the Company</u>

- As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section which are not in its ordinary course of business and/or transactions which are not on an arm's length basis, will be placed before the Board for its approval.

- In addition to the above, the following kinds of transactions with related parties and its Subsequent Modifications will also be placed before the Board for its approval:

a) 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;

b) 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.

c) Transactions meeting the materiality thresholds laid down in this Policy, which are intended to be placed before the shareholders for approval.

The Board of Directors shall monitor and manage any circumstances which may arise due to abuse of related party transactions and take the necessary action as required.

3. **Approval of the Shareholders of the Company**

All the transactions with related parties exceeding the materiality thresholds as laid down in Regulation 23 and Subsequent Material Modification of the material related party transactions as laid down in this Policy, is required to be 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 in the ordinary course of business and at arm's length basis; and

(b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are required to be placed before the shareholders for its approval.

Such other related party transactions which require the approval of the shareholders in accordance with the Listing Regulations and the Act shall be placed before the shareholders for approval.

INFORMATION TO BE PLACED FOR APPROVING RELATED PARTY TRANSACTIONS

For the purpose of procuring approval of the Audit Committee or the Board or the Shareholders (as the case may be), the Management shall submit a proposal for approval of the RPTs, containing all the necessary information as prescribed under the Act, Listing regulations, applicable Industry Standards and such other guidelines, circulars or directions issued by SEBI, MCA or any other competent authority, from time to time.

RATIFICATION OF RELATED PARTY TRANSACTIONS

In case a prior approval of Related Party Transaction is not obtained by the Audit Committee, the members of the Audit Committee who are independent directors, may ratify related party transactions in accordance with the Listing Regulations within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

i. the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
ii. the transaction is not material in terms of the provisions of sub-regulation (1) of Regulation 23 of the Listing Regulations
iii. rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
iv. the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of regulation 23 of the Listing Regulations;
v. any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit 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 listed entity against any loss incurred by it."

RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with 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 reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a related party transaction that has commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy., provided such modifications or waivers are in compliance with the applicable regulations and the provisions of the Act.

DISCLOSURES

- The Company shall make requisite disclosures in the Annual Report in compliance with Section 188 of the Act, Schedule V of the Listing Regulations and other applicable Rules and Regulations.

- The Company shall, as per Regulation 23(9) of the Listing Regulations disclose details of Related Party transactions every six months on the date of publication of its standalone and consolidated financial results.

- The company shall disclose the policy on dealing with Related Party Transactions on its website and a weblink of the same in the Annual Report.

- The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Act.

- Every Director and KMP shall promptly notify the Secretarial Department of any material transaction or relationship that could reasonably be expected to give rise to a conflict of interest

GENERAL

- The Policy would be subject to revision/amendment in accordance with the Laws. The Board of Directors shall review the Policy atleast once in three years for making suitable amendments for better implementation of the Policy.

- The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy. Any subsequent amendment(s)/ modification(s)/ circular(s)/ clarification(s)/ notification(s) in/under the Listing Regulations or the Act or any other governing Act/Rules/Regulations or re-enactment thereof, impacting the provisions of this Policy, shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be modified and/or amended to that extent, even if not incorporated in this Policy.

- Notwithstanding anything contained in this policy, the Company Secretary jointly with either, the Managing Director or Director (Finance), is authorized to amend the Policy to give effect to any changes / amendments notified by Ministry of Corporate Affairs or SEBI w.r.t. transactions with Related Party, from time to time. Such amended policy shall be placed before the Audit Committee and the Board, for noting and ratification.

- The power to interpret and administer the Policy shall rest with the Chairperson of the Audit Committee / Board whose decision shall be final and binding. The Chairperson is also empowered to make any supplementary rules/orders to ensure effective implementation of the Policy. These will, however, be reported to or tabled before the Audit Committee, from time to time, to ensure the Committee's oversight on these issues and further recommended to the Board, as the case may be.