

## POLICY FOR RELATED PARTY TRANSACTIONS FOR SHELTER PHARMA LIMITED

### 1. Preamble:

Shelter Pharma Limited is a Company incorporated under the Companies Act, 1956 (“**the Company**”) and it is engaged in the business of manufacturing herbal products with well-built presence in Human Pharma as well as Veterinary. The Company is committed to good corporate governance practices and with a view to ensure a transparent system of related party transactions the Company has formulated this Policy.

The Board of Directors of the Company has adopted the following policy and procedures with regard to Related Party Transactions as defined below. 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.

### 2. Purpose:

This policy is framed as per the requirements of the listing agreement proposed to be entered into by the Company with the Stock Exchanges, as amended from time to time. The policy is intended to ensure 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 stakeholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

### 3. Definitions:

“**Associate Company**” means any other Company, in which the Company has a significant influence

“**Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and Companies Act, 2013.

“**Board**” means Board of Directors of the Company.

“**Control**” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

“**Key Managerial Personnel**” means key managerial personnel shall include *as defined under the Companies Act, 2013*

1. the Chief Executive Officer or the Managing Director or the Manager;
2. the Company Secretary;
3. the Whole-Time Director;

4. the Chief Financial Officer;

“**Material Related Party Transaction**” means a transaction with a related party if the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% (ten percent) of the consolidated annual turnover as per the last audited financial statements of the Company.

“**Policy**” means Related Party Transaction Policy or any amendment thereto.

“**Related**” means an entity shall be considered as related to the Company if:

1. Such entity is a related party under Section 2(76) of the Companies Act, 2013; or
2. Such entity is a related party under applicable Accounting Standards.

“**Related Party Transaction**” means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged.

Explanation: A “transaction” with a Related Party shall be construed to include a single transaction or a group of transactions in a contract.

“**Relative**” means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –

- They are members of a Hindu undivided family;
- They are husband and wife; or
- Father (including step-father)
- Mother (including step-mother)
- Son (including step-son)
- Son’s wife
- Daughter
- Daughter’s husband
- Brother (including step-brother)
- Sister (including step-sister)

#### 4. Policy:

All Related Party Transactions shall be reported to the Audit Committee and referred for approval by the Audit Committee in accordance with this Policy.

##### 4.1. Procedures for review and approval of Related Party Transactions:

###### 4.1.1. Audit Committee:

All related party transactions require the prior approval of the Audit Committee. The Audit Committee may grant omnibus approval for such transaction, subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting omnibus approval in accordance to this policy and the relevant provisions of law and such approval shall remain in force for the repetitive transactions;
- b. The Audit Committee shall be satisfied for the need of granting the omnibus approval and that such approval is in the best interest of the Company;
- c. Such an approval shall specify – (i) the name(s) of the related party, nature of transaction, period of the transaction, maximum amount of transaction that can be entered into; (ii) the indicative base price/current contracted price along with the formula of variation in price, if any; (iii) any other conditions which the Audit Committee deems fit.  
However, in case of related party transactions which cannot be foreseen and where above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs. 1,00,00,000/- (Rupees One Crore).
- d. The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each omnibus approval given.
- e. The omnibus approval shall be valid for a period of 1 (one) year.

While assessing a proposal put up before the Audit Committee/Board for approval, the Audit Committee/Board, as the case maybe, may review the following documents/seek *inter-alia* the following information from the management to in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- a. Nature of 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 transactions;
- 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 a part of a composite transaction;
- e. Benchmarking information that may have a bearing on the arm's length basis analysis: (i) market analysis, research report, industry trends, business strategies, financial forecasts etc.; (ii) third party comparables, valuation reports, price publications including stock exchange

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.

#### **4.1.2. Board of Directors:**

As per the provisions of Section 188 of the Act, all kinds of related party transaction specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are to be placed before the Board. In addition to the above, the following kinds of transactions with related party are also to be placed before the Board for its approval:

- a. Transactions which may be in ordinary course of business and at arm's length basis, but which are, as per the policy of the Board as determined from time to time require the approval of the Board in addition to the approval of the Audit Committee;
- b. Transactions which the Audit Committee are unable to determine are in the ordinary course of business and/or at arm's length and decides to refer the same to the Board for its approval;
- c. Transactions which are in the ordinary course of business and at are arm's length, but which in the opinion of the Audit Committee, requires the approval of the Board; and
- d. Material Related Party Transactions are intended to be placed before the shareholders for approval.

#### **4.1.3. Approval of the Shareholders of the Company:**

All Material Related Party Transactions are placed before the shareholders for approval.

All kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business or not at arm's length basis; and (b) exceed the thresholds laid down in the Companies (Meetings of the Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

#### **4.2. Standards for Review and Approval of Related Party Transaction:**

A Related Party Transaction reviewed under this Policy will be considered approved or ratified if it is authorized by the Audit Committee Board or the Shareholders, as the case may be, in accordance with the standards set forth in this Policy after full disclosure of the Related Party's interests in the transaction. As appropriate for the circumstances, the Audit Committee or Board, as applicable, shall review and consider:

- (a) the Related Party's interest in the Related Party Transaction;
- (b) the approximate amount involved in the Related Party Transaction;

- (c) the approximate amount of the Related Party's interest in the transaction without regard to the amount of any profit or loss;
- (d) Whether the Related Party Transaction was undertaken in the ordinary course of business of the Company;
- (e) Whether the transaction with the Related Party is proposed to be, or was, entered on an Arms' Length Basis;
- (f) the purpose of, and the potential benefits to the Company from the Related Party Transaction;
- (g) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transaction, if any;
- (h) Whether the Related Party Transaction includes any potential reputational risk issues that may arise as a result of or in connection with the Related Party Transaction.
- (i) Whether the Related Party Transaction would impair the independence of an otherwise independent director or nominee director;
- (j) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company;
- (k) Whether the Related Party Transaction would present an improper conflict of interest, as per provisions of law, for any director or Key Managerial Personnel, taking into account the size of the transaction, the overall financial position of the Related Party, the director or indirect nature of the Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee/Board deems relevant.
- (l) Required public disclosure, if any; and
- (m) Any other information regarding the Related Party Transaction or the Related Party in the context of the proposed transaction that would be material to the Audit Committee/ Board/ shareholders, as applicable in light of the circumstances of the particular transaction.

The Audit Committee/Board will review all relevant information available to it about the Related Party Transaction. The Audit Committee/Board, as applicable, may approve/ratify/ recommend to the shareholders, the Related Party Transaction only if the Audit Committee/ Board, as applicable, determines in good faith that, under all of the circumstances, the transaction is fair as to the Company. The Audit Committee/ Board, in its sole discretion, may impose such conditions as it deems appropriate on the Company or the Related Party in connection with approval of the Related Party Transaction.

#### **5. Determination of Ordinary Course Of Business:**

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“In the Ordinary Course of Business” means all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, in the normal routine in managing trade or business and is not a standalone transaction. The Company should take into account the frequency of the activity and its continuity carried out in a normal organized manner for determination what is in the ordinary course business.

## **6. Determination of Arms’ Length Nature of The Related Party Transaction:**

### **6.1.1. Price Determination:**

At the time of determination, the arms’ length nature of price charged for the Related Party Transaction, the Audit Committee shall take into consideration the following:

- (i) Permissible methods of arms’ length pricing as per Applicable Law including such prices where the benefits of safe harbour is available under Applicable Law.
- (ii) For the said purposes the Audit Committee shall be entitled to rely on professional opinion in this regard.

### **6.1.2. Underwriting and Screening of arms’ length Related Party Transaction:**

- (i) A Related Party with whom the Related Party Transaction is undertaken must have been selected using the same screening /selection criteria/ underwriting standards and procedures as may be applicable in case of an unaffiliated party.
- (ii) The Chief Financial Officer shall produce evidence to the satisfaction of the Audit Committee for having applied the said procedure.

## **7. Identification of Potential Related Party Transactions:**

- (a) Each director and Key Managerial Personnel is responsible for providing written notice to the Audit Committee of any potential Related Party Transaction involving him or her or his or her relatives, including any additional information about the transaction that the Audit Committee may reasonably request. The Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.
- (b) Every director/ Key Managerial Personnel of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such meeting.

- (c) Where any director/ Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of Board held after he becomes so concerned or interested.
- (d) A contract or arrangement entered into by the Company without disclosure or with participation by a Director / Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Company.
- (e) The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction and other matter incidental thereto and to refer it to the appropriate approval authority. Ratification of a Related Party Transaction after its commencement or even its completion may be appropriate in some circumstances.

**8. General Principles:**

- (a) It shall be the responsibility of the Board to monitor and manage potential conflicts of interest of management, board members and shareholders, including abuse in Related Party Transactions.
- (b) The Independent Directors of the Company shall pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the Company.
- (c) The Audit Committee shall have the following powers with respect to Related Party Transactions: (i) to seek information from any employee; (ii) to obtain outside legal or other professional advice; (iii) to secure attendance of outsiders with relevant expertise, if it considers necessary; (iv) to investigate any Related Party Transaction.

**9. Disclosures:**

- (a) The Company is required to disclose Related Party Transactions in the Company's Board's Report to shareholders of the Company at the Annual General Meeting.
- (b) Details of all Material Related Party Transactions shall be disclosed quarterly along with Company's Compliance Report on Corporate Governance, in accordance with the Listing Agreement.
- (c) The Company is also required to disclose this Policy on its website and also in the Annual Report of the Company.

- (d) The Company shall keep one or more registers giving separately the particulars of all contracts or Arrangements with any related party.

**10. Amendment in Law:**

Any subsequent amendment/modification in the Listing Agreement and/or the applicable laws in this regard shall automatically apply to this Policy.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

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Mustaqim Nisarahmed Sabugar

Director

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