



POLICY ON RELATED PARTY TRANSACTIONS

ZODIAC CLOTHING COMPANY LIMITED

ZODIAC POLICY ON RELATED PARTY TRANSACTIONS

The Board of Directors (the “Board”) of Zodiac Clothing Company Limited (“ZCCL” or “the Company”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee of the Board of Directors will review the policy from time to time and recommend such changes therein as deemed necessary after appropriate deliberation. The Board may amend this policy suo motu, or on recommendations of the Audit Committee from time to time. This policy shall regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company Objective.

I. Purpose:

This policy is framed in compliance with the requirements of Regulation 23(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations, 2015”) as amended and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. The Policy also endeavours compliance with the provisions of Companies Act, 2013, and the applicable Accounting Standard in relation to transactions with 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 each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

II. Definitions and Applicability:

Words and expressions used in the policy shall have the meaning as given below:

“**Act**” means Companies Act, 2013.

“**Accounting Standard**” means the Indian Accounting Standard 24, as notified by the ICAI, as applicable on date including any amendment / modification thereto from time to time and /or any other Standard notified by ICAI or any other Authority including MCA, as may be applicable.

“**Arm’s length price**”, would have the meaning as defined by the Companies Act 2013, and rules made there under and judicial and other pronouncements, as applicable from time to time and shall mean a price which is applied or proposed to be applied in a transaction between persons other than associated enterprises, in uncontrolled conditions.

“**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.

“**Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted under provisions of Listing Regulations, 2015 and Companies Act, 2013.

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

“**Control**” means Control as defined under the Companies Act 2013 and SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and as amended thereto and shall include the right to appoint majority of directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreement or voting agreements or in any other manner.

“Key Managerial Personnel” means key managerial personnel as defined under the Companies Act, 2013 and includes: (i) Managing Director, or Chief Executive Officer or manager and in their absence, a Whole-time Director; (ii) Company Secretary; (iii) Chief Financial Officer; (iv) Such other officer, not more than one level below the Directors who is in whole-time employment, designated as Key Managerial Personnel by the Board; and (v) Such other officer as may be prescribed.

“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 transaction(s) during a financial year, exceeds rupees one thousand crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower. However, 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 transaction(s) during a financial year, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

“Material Modification(s)” means any modification to a Material Related Party Transaction which results in 15% or more change in the total value of such transaction.

“Ordinary course of business” would have the meaning as defined by the Companies Act 2013, and rules made there under and judicial and other pronouncements, as applicable from time to time and shall mean & include the habit system and continuity of an act required to satisfy the test of regular or ordinary course of business.

“Policy” means Related Party Transaction Policy.

“Related Party” means related party as defined in Regulation 2(zb) of the Listing Regulations, 2015 (as amended from time to time), which inter alia provides that an entity shall be considered as related to the Company if:

- a. such entity is a related party u/s 2(76) of the Act ; or
- b. such entity is a related party under the applicable accounting standards; or
- c. such person or entity forms part of the promoter or promoter group of the Company; or
- d. such person or any entity, holds equity shares:
 - (i) equivalent to twenty percent or more currently; or
 - (ii) equivalent to ten percent or more, with effect from 01st April, 2023;
in the Company either directly or on a beneficial interest basis as provided under Section 89 of the Act, at any time, during the immediate preceding financial year.

“Related Party Transaction” means any transaction between the Company and a related party under the provisions of the Listing Regulations, 2015 and / or the Act read with the Rules framed thereunder (as amended from time to time)

“Relative” means relative as defined under the Companies Act, 2013 read with the relevant Rules and the Listing Regulations, 2015 (as amended from time to time).

“Senior Management Personnel” shall mean officers/personnel of the listed entity who are members of its core management team excluding board of directors and normally this shall comprise all members of management one level below the chief executive officer/managing director/whole time director/manager (including chief executive

officer/manager, in case they are not part of the board) and shall specifically include Company Secretary and Chief Financial Officer.

The definitions above said for the observance of the Policy by the Company and its Board (including Committee/s thereof), shall be subject to exercise of the statutory powers of the Regulatory Authorities with respect to repeal or alteration or addition to their respective meaning as prescribed by or under Companies Act 2013, the SEBI Act, and any other applicable laws for the time being in force.

III. Dealing with Related Party Transactions

Related Party Transactions are prohibited, unless approved or ratified by the Audit Committee and / or the Board of Directors of the Company in accordance with this policy. In dealing with Related Party Transactions, the Company will follow the following approach:

A. Identification of Related Party Transactions

All Related Party Transactions must be brought to the notice of the Audit Committee of the Company.

Any employee of the Company who is aware of any transaction that is or may be perceived to be a Related Party Transaction is required to bring the same to the attention of the Audit Committee of the Company through Company Secretary.

All Directors, Members of the Management Committee and Key Managerial Personnel (KMPs) are responsible for informing the Company of their interest (including interest of their Relatives) in other companies, firms or concerns at the beginning of every financial year and any change in such interest during the year. In addition, all Directors, Members of the Management Committee and KMPs are responsible for providing notice to the Company Secretary of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Audit Committee may request. The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction is in the ordinary course of business and on an arm's length basis.

Such notice of any potential Related Party Transaction should be given well in advance so that the Company Secretary has adequate time to obtain and review information about the proposed transaction and to refer it to the Audit Committee.

B. Process & guidelines for Related Party Transaction

All Related Party Transactions and subsequent Material Modifications shall require prior approval of Audit Committee of the Company. Only those members of the Audit Committee, who are independent directors, shall approve Related Party Transactions.

Any transaction entered into by a Related Party of the Company with a subsidiary of the Company, shall also 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 the threshold limit as specified in Listing Regulations, 2015 (as amended from time to time).

Further, all Material Related Party Transactions and subsequent Material Modifications 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. Provided that prior approval of the shareholders of the Company shall not be required for a transaction entered into by a Related Party of the Company with a listed subsidiary of the Company, if regulation 23 and sub-regulation (2) of regulation 15 of Listing Regulations, 2015 are applicable to such listed subsidiary. Provided that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under Section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved

C. Review and Approval of Related Party Transactions

Related Party Transactions are prohibited, unless approved or ratified by the Audit Committee of the Company in accordance with this policy.

Unless otherwise stated in this policy, all Related Party Transactions require prior approval of the Audit Committee of the Company. All Related Party Transactions must be reported to the Company Secretary who shall submit the same for approval or ratification by the Audit Committee in accordance with this policy.

The Audit Committee shall grant omnibus approval to Related Party Transactions that are:

- a. Repetitive in nature; and/or
- b. Entered in the ordinary course of business and are at Arm's Length.

The expression Arm's Length has the meaning ascribed to it under Section 188 of the Companies Act, 2013. Such omnibus approval will be granted to the transactions which, in addition to meeting the above criteria, also satisfy the following considerations:

- (a) The transaction in question is necessary to be executed as it is in the business interest of the Company;
- (b) If the transaction to be entered into with a Related Party is concerning technology transfer, Intellectual property or specialized services that are proprietary in nature;
- (c) The requisite information is presented to the Audit Committee's satisfaction, to confirm that the transaction is at Arm's Length and in ordinary course of business;
- (d) Such omnibus approval shall specify (i) the name/s of the Related Party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative value and the formula for variation in the value, if any and (iii) such other conditions as the Audit Committee may deem fit;

Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

The Audit Committee shall on quarterly basis review the details of the Related Party Transactions entered into by the Company pursuant to the omnibus approval.

In an unforeseen event where a Related Party Transaction, for which Omnibus approval has not been given by the Audit Committee, needs to be entered due to business exigencies between two Audit Committee meetings, the Audit Committee may approve such Related Party Transaction by passing a resolution by circulation, after satisfying itself that such transaction is in the interest of the Company.

Ratification, if any, of a Related Party Transaction after its commencement or completion will be approved

by the Audit Committee in exceptional circumstances only.

A Related Party Transaction entered into without prior approval of the Audit Committee shall not be deemed to violate this policy, or be invalid or unenforceable, so long as the transaction is brought to the Audit Committee for ratification as promptly as reasonably practical after it is entered into and such transaction is ratified.

Any member of the Audit Committee, who has a potential interest in any Related Party Transaction, will recuse him or herself and abstain from voting on the approval or ratification of such Related Party Transaction. Such member may, however, participate in discussions with respect to other Related Party Transactions placed for approval or ratification of the Audit Committee.

All Related Party Transactions that are not in the ordinary course of business or not on arm's length basis shall be referred to the Board of Directors for their approval. Any member of the Board who has a potential interest in such Related Party Transaction will recuse him or herself and abstain from voting on the approval of such Related Party Transaction. Such member may, however, participate in discussions with respect to other Related Party Transactions placed for approval of the Board.

Any such Related Party Transactions shall also be placed for prior approval of shareholders if it exceeds the thresholds as prescribed under the Companies Act, 2013 read along with the rules framed thereunder and Listing Regulations, 2015 in force (as amended from time to time)

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.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee, in so far as the same are not in conflict with the provisions of the Listing Regulations, 2015 in force (as amended from time to time):

- a. Any transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- b. Any transaction(s) entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with such holding Company and placed before the shareholders at the general meeting for approval. Any transaction(s) entered into by the Company in its ordinary course of business other than transaction(s) which are not on an arm's length basis.
- c. Any transaction arising out of compromise, arrangement and amalgamation dealt with under specific provisions of the Act.

D. Related Party Transactions not pre-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 Committee. The Committee shall consider all of 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 Committee shall also examine the facts and circumstances

pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In the event the committee decides to ratify the contract or arrangement, such contract or arrangement must be ratified within three months from the date on which the contract or arrangement has been entered into by the Board or the Shareholders as the case may be.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction.

In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy

E. Amendments to the Policy

The Audit Committee of the Company shall review and may amend this policy from time to time, subject to the approval of the Board of Directors of the Company.

Any or all provisions of this policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications, etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions hereunder and this policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.

The Policy has been approved by the Board of Directors on 30th May, 2022