

RELATED PARTY TRANSACTIONS POLICY

PREAMBLE

Salona Cotspin Limited (the Company) believes in ethical conduct of business and maintains transparency and accountability in its activities. The Company rigorously ensures compliance with all applicable Statutes, Rules and Regulations. The Company acknowledges that Related Party Transactions represent present or potential conflict of interest between Directors/Senior Management etc. with the interests of the Company.

OBJECTIVE

This policy is intended to provide a framework to monitor and ensure proper compliance of the applicable statutory provisions relating to identifying, approving, recording and reporting of transactions between the Company and any of its related parties.

SCOPE OF THE POLICY

The Company's policy and procedure relating to identification, regulation, governance of all transactions of the Company with related parties as contemplated under Section 188 of the Companies Act, 2013, the Companies (Meeting of Board and its Powers) Rules, 2014, Listing Agreements entered with Stock Exchanges and the Accounting Standard AS-18 are addressed in this policy. Any exceptions provided in the Policy on Related Party Transactions under this policy are consistent with the said Acts / Regulations. Further, the Board reserves the right to change, amend or modify this policy from time to time as may deem fit to be in line with the changing requirements.

DEFINITIONS

- 1) “**Related Party**” with reference to a company means:
 - (i) a Directors or his/ her relative;
 - (ii) a key managerial personnel or his/her relative;
 - (iii) a firm, in which a Director, manager or his/her relative is a partner;
 - (iv) a private company in which a Director or manager or his/her relative is a member or Director;
 - (v) a public Company in which a Director or manager is a Director and holds along with his/her relatives, more than two per cent of its paid-up share capital;
 - (vi) anybody corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with the advice, directions or instructions of a Director or Manager;

- (vii) any person on whose advice, directions or instructions a Director or Manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- (viii) any Company which is—

- (1) a holding, subsidiary or an associate Company of the Company; or
- (2) a subsidiary of a holding Company to which it is also a subsidiary;

- (ix) Director or Key Managerial Personnel of the holding Company or his relative with reference to a Company, or

- a. has control of Joint control or significant influence over the company, or
- b. Is a Key Management personnel of the Company or of a parent of the Company ; or

2. An entity is related to a Company if any of the following conditions applies:

- a. The entity is a related party under Section 2 (76) of the Companies Act, 2013; or
- b. The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the other); or
- c. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
- d. Both entities are joint ventures of the same third party; or One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
- f. The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company; or
- g. The entity is controlled / jointly controlled by a person identified in (1).

A person identified in (1) (b) has significant influence over the entity (or of apparent of the entity); or

As per Accounting Standard As -18 the following also constitute related Party relationship to the reporting enterprise (the Company):

- i) An enterprise directly or indirectly through other intermediaries control the reporting enterprise (by controlling more than 50% voting rights).
 - ii) An enterprise directly or indirectly through other intermediaries is controlled by the reporting enterprise.
 - iii) The enterprise and the reporting enterprise are controlled by the same party (Companies under common control)
 - iv) Subsidiary or holding company or associate or joint venture of the reporting enterprise.
 - v) An investing party or JV of which the reporting enterprise is an associate or JV.
 - vi) An individual directly or indirectly control/exercise significant influence by holding more than 50% voting rights, composition of Board and relatives of such individual.
 - vii) Key Managerial Personnel and their relatives.
 - viii) An enterprise over which the persons referred in vi and vii above have significant influence by holding 20 % or more shares.
 - ix) An enterprise owned by directors or major shareholders of reporting enterprise.
 - x) Enterprises that have common key managerial personnel.
3. **“Relatives”** - with reference to any person, means anyone who is related to another, if
- (i) They are members of a Hindu Undivided Family;
 - (ii) They are husband and wife; or
 - (iii) One person is related to the other in the following manner, namely:-
 - a) Father including step father
 - b) Mother including step mother
 - c) Son including step son
 - d) Son’s Wife
 - e) Daughter
 - f) Daughter’s Husband
 - g) Brother including step brother
 - h) Sister including step sister
4. **“Related Party Transaction”**: Related party transaction is a transfer of resources, services or obligations between a company and a related party regardless of any price is charged and include:
- (a) Sale, purchase or supply of any goods or materials;
 - (b) Selling or otherwise disposing of, or buying property of any kind;
 - (c) Leasing of property of any kind;

- (d) Availing or rendering of any services;
- (e) Appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; and
- (g) Underwriting the subscription of any securities or derivatives thereof, of the Company;

5. Material Related party Transaction;

- (a) **Under the Listing Agreement, material related party transaction** means the transaction or transactions with a related party, to be entered into individually or taken together with previous transactions during the financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- (b) **Under the Companies Act** means the transaction or transactions with a related party, individually or taken together with all previous transactions during the financial year for:
 - i. Sale, purchase or supply of any goods or materials, directly or through appointment of agent, exceeding ten percent of the turnover of the Company or Rs. 100 Crores, whichever is lower.
 - ii. selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, exceeding ten percent of net worth of the Company or Rs. 100 Crores, whichever is lower
 - iii. Leasing of property of any kind exceeding ten percent of the net worth of the Company or ten percent of turnover of the Company or Rs 100 Crores, whichever is lower.
 - iv. Availing or rendering of any services, directly or through appointment of agent, exceeding ten per cent of the turnover of the Company or Rs. 50 Crores, whichever is lower.
 - v. Appointment to any office or place of profit in the Company, its subsidiary company or associate Company at a monthly remuneration exceeding Rupees Two and Half Lakhs.

- vi. Remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company exceeding one per cent, of the net worth.

The Turnover or Net Worth referred in the above definition shall be computed on the basis of the Audited Financial Statement of the preceding financial year.

6. **Transactions on arm's length basis** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

Words and expressions used in this policy not specifically defined will have the same meaning assigned to them in the Companies Act, 2013, Rules framed thereunder, Listing Agreement and the applicable Accounting Standards

PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS

APPROVAL OF THE AUDIT COMMITTEE

All related party transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into with the Company subject to compliance of the conditions contained in clause 49 of the listing agreement.

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 shall not require prior approval of the Audit Committee.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits of the Company and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among other, to the extent relevant to the Related Party Transaction:

- Whether the term of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- Whether the Related Party Transaction would affect the independence of an independent Director;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;

- 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 is allowed and would be detrimental to the Company; and
- Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall Financial position of the Director , Executive Officer or other Related Party, the direct or indirect or indirect nature of the Director ’s Key Managerial Personnel’s or other Related Party’s interest

In the transaction and the ongoing nature of any proposed relationship and any other factor the Board/ Committee deems relevant.

APPROVAL OF THE BOARD OF DIRECTORS OF THE COMPANY

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm’s length basis or both, and such other transactions as may be prescribed by the Act and Listing Agreement are placed before the Board for its approval.

APPROVAL OF THE SHAREHOLDERS OF THE COMPANY

All the transactions with related parties meeting the materiality thresholds, laid down in Clause VI of the Policy, are placed before the shareholders for approval. For this purpose, the entities falling under the definition of related parties shall abstain from voting wherever the Provisions of the Companies Act 2013 so requires.

RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THE 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 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

Notwithstanding the foregoing, the following Related Party Transaction shall not require approval of Audit Committee or Shareholders:

- i. Any Transaction that involves the providing of compensation to a Director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, includes the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.

- ii. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

RATIFICATION BY BOARD AND/OR SHAREHOLDERS OF THE COMPANY

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or shareholders pursuant to Section 188(1) of the Act may be ratified by the Board and/or Shareholders.

DISCLOSURES

Appropriate disclosures & reporting as required under the Act and the Listing Agreement will be made. The Company shall disclose the RPT Policy on its website and a web link thereto shall be provided in the Annual Report.

COMPLIANCE WITH RELATED PARTY TRANSACTIONS POLICY

Every person associated with RPT shall be accountable for complying with this RPT Policy that may be in force from time to time.

ADMINISTRATIVE MEASURES

The Audit Committee of the Company, subject to supervision of the Board, shall be the Competent Authority for investigating and taking appropriate actions / steps for prevention or remedy of any breach and / or defaults in complying with this Policy.

INTERPRETATION

Subject to the superintendence of the Board, this Policy shall be interpreted and administered by the Audit Committee.

The above policy was adopted at the Board Meeting held on 13th November, 2014 and made applicable from 13th November, 2014.