



MOREPEN LABORATORIES LIMITED

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POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS

[Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, and the Companies Act, 2013 and its rules made thereunder]

PREAMBLE

The Board of Directors (the “Board”) of **Morepen Laboratories Limited** (“the Company” or “MLL”), has adopted this policy and procedures with regard to ‘**Dealing with Related party transactions**’ as defined below. The Audit Committee will review and may amend this policy from time to time.

This policy will regulate the transactions between the Company and its Related Parties based on laws and regulations applicable to the Company.

PURPOSE

This policy is framed as per requirement of Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (‘Listing Regulations’) and in compliance of the Companies Act, 2013 and its rules made thereunder (‘the Act’), intended to ensure the 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 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.

DEFINITIONS

“**Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted under provisions of the Act and Regulation 18 of the Listing Regulations.

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

“**Key Managerial Personnel**” means key managerial personnel as defined under the Companies Act, 2013 and includes:

- i. CEO/Managing Director/Manager;
- ii. Whole-time Director;
- iii. Chief Financial Officer;
- iv. Company Secretary;
- v. Such other officer as may be prescribed under the applicable statutory provisions/regulations.

“**Material Related party transaction**” all material related party transactions shall be placed for prior approval of shareholders through resolution. The Company has fixed the following materiality threshold for the purposes of the Act and Listing Regulations:

- (i) Transactions with a related party shall be governed as the Act and rules made thereunder.
- (ii) A transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the company as per the last audited financial statements of the company, whichever is lower.
- (iii) 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 five percent of the annual consolidated turnover of the company as per the last audited financial statements of the Company.

- (iv) 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% of the annual consolidated turnover of the company as per the last audited financial statements of the company.

“Material modification” means i) For material related party transaction(s) - any modification/change previously approved by the shareholders; ii) For non-material related party transaction(s)- variance of 10% of the existing limit as may be approved by the Audit Committee / Board, as the case may be.

“Policy” means policy on dealing with related party transactions as approved by the Board of Directors (‘Board’), to be reviewed by the Board of Directors of the company once in every three years and update accordingly.

“Related Party” means a related party as defined under sub-section (76) of section 2 of the Act or under the applicable accounting standards:

Provided that:

- (a) any person or company forming a part of the promoter or promoter group of the company; or
(b) any person or any company, holding equity shares:

- (i) of twenty per cent or more; or
(ii) of ten per cent or more, with effect from April 1, 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 immediately preceding financial year; shall be deemed to be a related party:”

“Related party transaction” means a transaction involving a transfer of resources, services or obligations between:

- (i) a company or any of its subsidiaries on one hand and a related party of the company or any of its subsidiaries on the other hand; or
(ii) a company or any of its subsidiaries on one hand, and any other person or company on the other hand, the purpose and effect of which is to benefit a related party of the company or any of its subsidiaries, with effect from April 1, 2023

regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract:

Provided that the following shall not be a related party transaction:

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
(b) the following corporate actions by the company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:

- i. Payment of dividend;
- ii. Subdivision or consolidation of securities;
- iii. Issuance of securities by way of a rights issue or a bonus issue; and
- iv. Buy-back of securities.

(c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

“**Relative**” means relative as defined under Section 2 (77) of the Act and includes 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 such manner as may be prescribed.

POLICY

All related party transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy and dealt as per the provisions of the Listing Regulations and the Act.

IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

Each director and key managerial personnel is responsible for providing notice to the Board or Audit Committee of any potential related party transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a related party transaction requiring compliance with this policy.

The company strongly prefers to receive such notice of any potential related party transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

PROHIBITIONS RELATED TO RELATED PARTY TRANSACTIONS

All related party transactions shall require prior approval of Audit Committee. Further, all material related party transactions shall require approval of the shareholders through Special/Ordinary Resolution, as the case may be, and the related parties shall abstain from voting on such resolutions as governed by the provisions of Section 188 of the Act and Regulation 23 of Listing Regulations.

REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

- ✓ Related party transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the committee who has a potential interest in any related party transaction will recuse himself or herself and abstain from discussion and voting on the approval of the related party transactions.

- ✓ Only those members of Audit Committee, who are independent directors, shall approve the related party transactions.
- ✓ 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 10% of the annual consolidated turnover, as per the last audited financial statements of the company. The Audit Committee shall consider all relevant factors while deliberating the related party transactions for its approval.
- ✓ With effect from 1st April 2023, 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 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary.
- ✓ 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 to 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 others, to the extent relevant to the related party transaction:
 - Whether the terms 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 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 factors the Board/Committee deems relevant.

- ✓ If the Committee determines that a related party transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the related party transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.
- ✓ The Audit Committee may grant omnibus approval for related party transactions proposed to be entered into by the company subject to the following conditions:
 - The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy and such approval shall be applicable in respect of transactions which are repetitive in nature.
 - The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
 - 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 base price / current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit;

Provided that where the need for Related party transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

 - Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
 - Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- ✓ All material related party transactions and subsequent material modifications as defined in this policy shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the listed is a related party to the particular transaction or not.

Notwithstanding the foregoing, the following related party transactions 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, including 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.

- iii. Arm's length transactions entered into between a holding company and its wholly owned subsidiary, in the ordinary course of business, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- iv. Transaction entered into between the 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.
- v. A related party transaction to which the listed subsidiary, if any, is a party but the company is not a party, if regulation 23 and 15(2) of the Listing Regulations are application to such listed subsidiary.

DISCLOSURES

Details of transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance as per Listing Regulations. The company shall disclose the Policy on Dealing with Related Party Transactions on its website (www.morepen.com) and a web link thereto shall be provided in the Annual Report.

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 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 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.

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