



NEULAND LABORATORIES LIMITED

RELATED PARTY TRANSACTION POLICY

1. Preamble

Neuland Laboratories Limited (“The Company”) is committed to upholding the highest ethical and legal conduct in fulfilling its responsibilities and recognizes that related party transactions can present a risk of actual or apparent conflicts of interest of the related parties with the interest of the Company and may raise questions about whether such transactions are fair and on arm’s length basis.

This policy is to regulate transactions between the Company and its Related Parties by reviewing and approving Material Related Party Transactions bearing in mind the potential or actual conflicts of interest that may arise consequent upon the transaction entered into by the Company and the whether the said transactions are consistent with the Company’s and its shareholder’s interest. The Company has been in compliance with various laws and regulations in this regard so far and ensured that such transactions are in the best interest of the company and shareholders.

The Audit Committee shall review significant related party transactions, submitted to it by Management, approve and / or recommend for Board and / or shareholders’ approval thereon.

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.

2. Purpose

The Listing Agreement requires that the Company shall formulate a policy on materiality of related party transactions pertaining to related parties, material listed subsidiaries. This policy is framed as per requirement of Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges and 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.

3. Definitions

- a. “Arm’s length price”, pursuant to Income tax Act, 1961, OECD guidelines, Advance Rulings from tax authorities, judicial pronouncements), and other applicable provisions from time to time, means a price which is applied or proposed to be applied in a transaction between persons other than associated enterprises, in uncontrolled conditions;
- b. “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.



- c. **“Audit Committee or Committee”** means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and Companies Act, 2013.
- d. **“Board”** means Board of Directors of the Company
- e. **“Company”** means Neuland Laboratories Limited
- f. **“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- g. **“Key Managerial Personnel”** means key managerial personnel as defined under the Companies Act, 2013 and includes
 - (i) Managing Director, Chief Executive Officer and whole-time directors;
 - (ii) Company Secretary; and
 - (iii) Chief Financial Officer
- h. **“Material Related Party Transaction”** - a transaction with a related party shall be considered material if the transaction / transactions to be entered into either individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.
- i. **“Ordinary Course of Business”** means a transaction which is:
 - (i) Carried out in the normal course of business envisaged in accordance with the Memorandum of Association of the Company, as amended from time to time, or
 - (ii) Historical practice with a pattern of frequency
 - (iii) Common commercial practice
 - (iv) Meets any other criteria as may be decided by the Board / Audit Committee
- j. **“Policy”** means this Related Party Transaction Policy.
- k. **“Related Party”** will have the same meaning as defined under Section 2(6) of the Companies Act, 2013 and / or Clause Clause 49 of the Listing Agreement.
- l. **“Related Party Transaction”** means all transactions between the Company and one or more related party including contracts, arrangements and transactions as envisaged in Section 188(1) of the Companies Act, 2013 and / or Clause 49 of the Listing Agreement with the Stock Exchange(s).
- m. **“Relative”** shall mean “relative” as defined in section 2(77) of the Companies Act, 2013 and rules prescribed there under.



- n. **Significant Related Party Transaction**, shall mean the Related Party transactions which are either not in the ordinary course of business or not on an arm's length basis as per Section 188 of the Act.
- o. **"Special Resolution"** A resolution shall be a special resolution when—
- a) the intention to propose the resolution as a special resolution has been duly specified in the notice calling the general meeting or other intimation given to the members of the resolution;
 - b) the notice required under the Act has been duly given; and
 - c) the votes cast in favour of the resolution, whether on a show of hands, or electronically or on a poll, as the case may be, by members who, being entitled so to do, vote in person or by proxy or by postal ballot, are required to be not less than three times the number of the votes, if any, cast against the resolution by members so entitled and voting.
- p. **"Transaction"** shall be construed to include single transaction or a group of transactions in a contract.

4. Policy

All Related Party Transactions ("**RPT**") shall be referred for prior approval of the Audit Committee in accordance with this Policy.

The Company shall, while entering into any RPT, ensure that such RPT is in the best interest of the Company and adheres to this Policy. All relevant facts and circumstances available, including but not limited to the following, shall be considered:

- a. The benefits to the Company by entering into such RPT;
- b. The extent of the Related Party's interest;
- c. The availability of other sources of comparable products or services;
- d. The extent to which the terms of the RPTs are less favourable than terms generally available in non-related transactions under like circumstances;
- e. The aggregate value of the RPT; and
- f. The impact on a Director's independence if the RPT is entered into with an Independent Director or a relative of such Director.

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 RPTs.

The Independent Directors of the Company shall pay sufficient attention and ensure that adequate deliberations are held before approving RPTs and assure themselves that the same are in the interest of the Company.

This Policy will operate within the framework of the Companies Act 2013, rules thereunder and the Listing Agreement entered into by the Company with Stock Exchanges, as amended from time to time.



5. 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 RPT 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 RPT requiring compliance with this policy.

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

6. Prohibitions related to Related Party Transactions

All RPTs shall require prior approval of Audit Committee.

Further, all Material RPTs shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions.

7. Review and Approval of Related Party Transactions

RPTs 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 RPT will reclude himself or herself and abstain from discussion and voting on the approval of the RPT.

To review a RPT, the Committee will be provided with all relevant material information of the RPT, 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 RPT, the Committee will consider the following factors, among others, to the extent relevant to the RPT:

- Whether the terms of the RPT are fair and on arms 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 RPT and the nature of alternative transactions, if any;
- Whether the RPT 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 RPT 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 RPT 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 RPT 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 RPT, then the consideration 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.

Notwithstanding the foregoing, the following RPTs 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.

8. Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a RPT 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 RPT, and shall evaluate all options available to the Company, including ratification, revision or termination of the RPT. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPT 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 RPT 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 RPT, the Committee has authority to modify or waive any procedural requirements of this Policy.

In the event any contract or arrangement with a related party is not in the ordinary course of business or at arm's length, the Company shall comply with the provisions of the Companies Act 2013 and the Rules framed thereunder and obtain approval of the Board or its shareholders, as applicable, for such contract or arrangement.



9. Disclosure requirements

- i. Significant RPT are to be disclosed in Board's Report along with justification for entering into such RPT.
- ii. Details of all Material RPT shall be disclosed quarterly to the Stock Exchanges along with the compliance report on corporate governance that may have potential conflict with the interests of company at large.
- iii. The Company shall disclose the Policy on its website and also in the Annual Report.