

Policy on Related Party Transactions (RPT)

Of

M/s. LINCOLN PHARMACEUTICALS LIMITED

A. Overview

Lincoln Pharmaceuticals Limited (the “Company”) has established and adopted this Policy for the Related Party Transactions pursuant to the provisions of Section 188 of the Companies Act, 2013 (“the Act”) read with The Companies (Meetings of Board and its Powers) Rules, 2014 and Clause 49(VII) of the Listing Agreement.

This Policy and Procedure Regarding RPTs (“Policy”) describe the process for identifying and approval or ratification of the RPTs including any modification thereof as well as establishing certain reporting requirements

B. Statutory Provisions pertaining to the RPTs

Statutory provisions with respect to the RPTs are covered in Sections 2 (76), 2(77) and 188 of the Act and Rule 15 of The Companies (Meetings of Board and its Powers) Rules, 2014 and Clause 49 of Listing Agreement, annexed in Annexure I.

C. Scope, Applicability & Definitions

This Policy applies to all the transactions of the Company with the Related Parties including changes which may take place in the list of related parties from time to time. The Related Party Transactions of the Company are summarised in Annexure I.

D. Policy Statement:

- i. The Company and its Officers shall enter into any RPT in the Ordinary Course of Business and on an Arm’s Length Basis and/or a Transaction within the “RPT Framework”
- ii. The RPT Policy and RPT Framework will be reviewed, amended and approved from time to time, as the case may be, by the Audit Committee or the Board of Directors of the Company
- iii. Subject to the compliance with the RPT Policy and RPT Framework, all RPTs of the Company are to be approved by the Audit Committee of the Company as authorised by the Board of Directors of the Company, prior to its execution

E. Definitions

(1)	Related Party	Is/are as defined in Companies Act, 2013 and Clause 49(VII) of the Listing Agreement and revisions which may take place in the said enactments from time to time.
(2)	Relative	in relation to a Related Party is as defined in Section 2(77) of the Act and Companies (Specification of Definitions Details) Rules, 2014 and revisions which may take place in the said enactments from time to time
(3)	Key Managerial Personnel (KMP)	(a) the Chief Executive Officer or the Managing Director or the Manager and in their absence the Whole-Time Director; (b) the Company Secretary; (c) the Chief Financial Officer; or (d) any other person appointed as may be appointed as the KMP by the Board of Directors of the Company
(4)	Initiator of RPT	(a) a person being not below the rank of KMP is responsible to initiate the RPT process under this Policy in conformity with RPT Framework (b) the responsibility to consult the RPT Policy and RPT Framework vests with each Functional Head of the Company.
(5)	RPT	Company may enter into transactions with its Related Parties from time to time Such transactions will be entered into on the basis of (a) this Policy and RPT Framework approved and amended from time to time (b) provisions of the Act, Listing Agreement and other applicable laws, if any
(6)	Exempt RPT	is a RPT/s which is covered under the RPT Framework and will be considered as the Exempt RPT/s under Section 188 of the Act and The Companies (Meetings of Board and its Powers) Rules, 2014.
(7)	Non Exempt RPT	is a RPT : - Falling outside the scope of the RPT Framework and/or - Which are not in the Ordinary Course of Business and/or not on an Arm's Length basis will be considered as the Non - Exempt RPT and shall be liable for the compliance requirement prescribed under this Policy

(8)	Board of Directors or Board	means the collective body of the Directors of the Company
(9)	Audit Committee	means the Audit Committee constituted by the Board of Directors of the Company in accordance with Section 177 of the Companies Act, 2013 and Clause 49 (III) of Listing agreement.
(10)	Committee of Directors	means the Committee of Directors of the Company constituted or reconstituted from time to time
(11)	Chief Executive Officer (CEO)	means a person appointed as the Chief Executive Officer of the Company
(12)	Chief Financial Officer (CFO)	means a person appointed as the Chief Financial Officer of the Company
(13)	Company Secretary (CS)	means a Company Secretary as defined in clause (c) of sub-section (1) of section 2 of the Company Secretaries Act, 1980 who is appointed by the Company to perform the functions of a Company Secretary under the Act
(14)	Chief Risk Officer	means a person appointed or designated as the Chief Risk Officer of the Company or a person charged with a responsibility of the Risk Management of the Company
(15)	Assessors	Chief Executive Officer, Chief Risk Officer, Chief Financial Officer, Company Secretary, Legal Head, or any other Functional Head or person designated as the Assessor (collectively referred to as "the Assessors"). Each RPT shall be assessed by at least three Assessors.
(16)	Competent Authority	Audit Committee, Board of Directors, Shareholders are jointly and/or severally referred to as the Competent Authority

F. Interpretation of the Policy

In this Policy singular expression shall include the plural thereof. This Policy shall be interpreted and administered by or under the direction of the Audit Committee, which shall have the authority to construe, interpret, implement, amend, modify, delegate, review or restate this Policy

- **All RPTs entered into from the Effective Date i.e. 01.04.2014 and till the date of the approval of this Policy shall be placed before the Audit Committee for review and further recommendations, if any.**

G. Identification of the Related Parties

- i. On an annual basis, the CS shall request a disclosure from each Director and a KMP and other Related Parties within the meaning of Section 2(76) of the Act in the prescribed format
- ii. Directors and KMPs would be responsible for promptly notifying the CS in case of any changes / updates occur in the Related Parties declared by them
- iii. Any individual appointed/elected as a director or KMP shall be responsible to promptly complete and submit to the Company Secretary, the Disclosure declaration referred in VII (1) above
- iv. The CS shall be responsible to maintain the updated list of Related Parties based on the disclosures received from them

H. RPTs with the Wholly Owned Subsidiaries

- i. In case of RPT/s with a Wholly Owned Subsidiary (WOS) of the Company, the Special Resolution passed by the Shareholders of the Company in the General Meeting shall be sufficient for the purpose of entering into such transactions
- ii. WOS shall provide the relevant information to the Company as and when required
- iii. Such Special Resolution passed by the Company should be noted/approved by the Board of Directors of the WOS

I. RPT Framework

- i. The Board of Directors of the Company will approve the RPT Framework and delegate the same to the Audit Committee which will regulate the RPTs falling within this Policy and such RPTs will be approved by the Audit Committee in accordance with the RPT Policy and RPT Framework.
- ii. The Board of Directors of the Company in its discretion may seek approval of the Shareholders of the Company for the RPT Framework
- iii. All the RPTs of the Company will be subjected to the extensive evaluation and assessment procedure prescribed herein

J. Notification, Approval, Rejection of a RPT

(1)	Notification of RPT	<p>(a) No RPT shall be executed by the Company unless such RPT is covered within the scope of the approved RPT Framework</p> <p>(b) If rejected, any such RPT shall not be proceeded with and shall be subjected to the approval from Board of Directors and the Share Holders of the Company as the case may be.</p>
(2)	Initiators' Responsibilities	<p>Initiators seeking approval of RPT shall comment/provide :</p> <p>(a) Whether the intended Transaction is a RPT within the meaning of Section 188</p> <p>(b) If yes: Name/s of the Related Party(ies) and how it is a Related Party for the Company</p> <p>(c) Provide the justification for entering into the RPT (Commercial/ Ordinary Course of Business and Arm's Length)</p>
(3)	RPT Evaluation by the Assessors	<p>With respect to each transaction sent for approval; Assessors shall comment and confirm the following :</p> <ul style="list-style-type: none"> - Whether the intended transaction is a RPT within the meaning of Section 188 - Justification for the intended RPT (Commercial/Ordinary Course of Business and the sufficiency of the documentation for Arm's Length) - whether it falls within the approved RPT Policy and the Framework and its exemption status
(4)	Preliminary Assessment of RPTs	<p>(a) If in the opinion of any of the Assessors the intended transaction is not exempt RPT such transaction will be referred back to the Initiator with reasons thereof</p> <p>(b) If in the unanimous opinion of the Assessors, the intended transaction is exempt RPT, such transaction will be referred to the Audit Committee/Board of Directors for approval</p> <p>(c) If in the opinion of any of the Assessors, the intended transaction is not an Exempt RPT, such transaction shall be referred to the Audit Committee/Board of Directors for</p>

		<p>review and further directions</p> <p>(d) The Initiator, Assessors and Committee of Directors shall respond to RPT approval requests within a time frame to be specified by the Board from time to time</p>
(5)	Approval of the RPTs	<p>The Audit Committee , upon receipt of the comments from the Assessors, shall review the RPT, documentary substantiation and comments of the Assessors and may take the following actions :</p> <p>(a) Approve the RPTs for execution</p> <p>(b) Send the RPT back for seeking additional justification or substantiation</p> <p>(c) Reject the RPT</p> <p>(d) Recommend the RPT for approval of, Board of Directors or Shareholders as the case may be</p>
(6)	Approval of the RPTs not covered by the RPT Framework	<p>The Committee shall not approve transactions that are not covered by the RPT Policy and RPT Framework.</p>

K. Procedure for Approval of the Non Exempt RPT:

- i. The Assessors will refer all non-exempt RPT to the Audit Committee for assessment and approval
- ii. The Audit Committee will review and assess the said Non Exempt RPT and if the RPT is found :

Exempt	Approve the RPT for execution
Non Exempt	Recommend to the Board of Directors for further direction and compliance

L. Ratification of the RPT

- i. RPTs entered into inadvertently or accidentally without the approval of the Competent Authority needs to be ratified within three months from the date of the execution of the said RPT by the Board/Shareholders of the Company, as the case may be.
- ii. If such RPTs are not ratified by the Board/Shareholders of the Company as the case may be, such transaction shall be *void ab initio* and not binding on the Company

M. Reporting and Review

i. Quarterly Reporting:

At each quarterly Meeting of the Audit Committee, the CFO and CS shall jointly provide a comprehensive Report summarizing all RPTs, for the immediately preceding fiscal Quarter of the Company including all RPTs (exempt/non-exempt) assessed by the Committee in accordance with the RPT Policy and the RPT Framework

ii. Review of RPT Policy and Framework:

The Audit Committee shall from time to time review the RPT Policy and / or the RPT Framework as it may deem fit subject to the applicable provisions of the Act, wherever applicable

iii. RPT Audits :

The Independent professional as may be appointed by the Audit Committee from time to time, shall review all RPTs entered into by the Company vis a vis RPT Policy and Framework of the Company and the applicable laws

N. Competent Authority for RPT Policy and Framework

The Audit Committee of the Company, subject to supervision of the Board, shall be the Competent Authority for investigating and taking an appropriate disciplinary action for any breach and / or defaults in complying with this Policy. Such disciplinary action shall be in addition to the penal provisions of the Act

O. Compliance with the RPT Policy

- i. Every person responsible for RPT shall be accountable for complying with this Policy
- ii. A Director or any other employee of a company, who had entered into or authorised the contract or arrangement in violation of the RPT Policy and RPT Framework shall be guilty of non-compliance
- iii. In case of breach of this Policy; Audit Committee and/or Board of Directors may initiate appropriate action against the person/s responsible

- iv. A person shall not be eligible for the appointment as a Director of a Company if he has been convicted of the offence under Section 188 of the Act at any time during the last preceding five years

P. Material Related Party Transactions:

Pursuant to Clause 49(VII) (C.), a transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceed ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

All material Related Party Transactions shall require approval of the shareholders through Special Resolution and the related parties shall abstain from voting on such resolutions.

Q. Disclosure of the RPTs

RPTs and prescribed details thereof will be disclosed in the Directors' Report in accordance with the provisions of the Act and Rules framed thereunder

R. Governing Law and Amendments:

The RPT Policy along with RPT Framework will be governed by the relevant provisions of Section 188 of the Companies Act, 2013 and The Companies (Meetings of Board and its Powers) Rules, 2014 and Clause 49 of the Listing agreement and amendments thereto from time to time. This Policy and the RPT Framework may be reviewed and/or amended at any time and/or subject to the revisions on the applicable laws, regulations and amendment thereto from time to time and/or the actions taken by the Board of Directors or the Audit Committee of the Company

Annexure I

(A). Related Parties pursuant to Section 2(76) of the Act

Related party with reference to a Company means:

- (i) a Director or his Relative
- (ii) a Key Managerial Personnel or his Relative
- (iii) a Firm, in which a Director, ,Manager or his Relative is a Partner;
- (iv) a Private Company in which a Director or Manager or his Relative is a member or a Director;
- (v) a Public Company in which a Director or Manager is a member is a Director; and holds along with his relatives more than two per cent of its paid up share capital
- (vi) Any Body 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—
 - a Holding, Subsidiary or an Associate Company of such Company; or
 - a Subsidiary of a Holding Company to which it is also a Subsidiary;
- (ix) such other person as may be prescribed (Currently the prescribed persons include Director, KMP of the Holding Company and his relatives);

(B) Relatives pursuant to Section 2(77) of the Act

Following persons are considered Relatives for the purpose of Act:

- (1) Members of Hindu Undivided Family
- (2) Husband and wife (Spouse)
- (3) A person shall be deemed to be the relative of another, if he or she is related to another in the following manner:
 - (a) Father:
Provided that the term "Father" includes step-father
 - (b) Mother:
Provided that the term "Mother" includes the step-mother
 - (c) Son:
Provided that the term "Son" includes the step-son
 - (d) Son's wife
 - (e) Daughter
 - (f) Daughter's husband
 - (g) Brother:
Provided that the term "Brother" includes the step-brother;
 - (h) Sister:
Provided that the term "Sister" includes the step-sister.

(C) Extract of Section 188 of the Companies Act, 2013

“Related Party Transaction

- (1) Except with the prior approval of the company by a special resolution, no company shall enter into any contract or arrangement with a related party with respect to
- (a) sale, purchase or supply of any goods or materials directly or through appointment of agents exceeding ten percent of the turnover of the company or rupees one hundred crore, whichever is lower;
 - (b) selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents exceeding ten percent of net worth of the company or rupees one hundred crore, whichever is lower;
 - (c) leasing of property of any kind exceeding ten percent of the turnover of the company or rupees one hundred crore, whichever is lower;
 - (d) availing or rendering of any services directly or through appointment of agent, exceeding ten percent of the turnover of the company or rupees fifty crore, whichever is lower;
 - (f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and a half lakh rupees; and
 - (g) underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth:

However any transaction below the limits specified above, can be entered into through the Board Resolution passed at the meeting of the Board of Directors of the Company.

Provided further that no member of the company shall vote on such special resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party:

Provided also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis.

Explanation.— In this sub-section,

- (a) the expression “office or place of profit” means any office or place
 - (i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

- (ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
 - (b) the expression “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.
- (2) Every contract or arrangement entered into under sub-section (1) shall be referred to in the Board’s report to the shareholders along with the justification for entering into such contract or arrangement
- (3) Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a special resolution in the general meeting under sub-section (1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.
- (4) Without prejudice to anything contained in sub-section (3), it shall be open to the company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.
- (5) Any director or any other employee of a company, who had entered into or authorised the contract or arrangement in violation of the provisions of this section shall,
- (i) in case of listed company, be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both; and

(D) Provision of Clause 49(VII) of the Listing Agreement

For the purpose of Clause 49 (VII), an entity shall be considered as related to the Company if:

- i. Such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- ii. Such entity is a related party under the applicable accounting standards.

The Company may enter into the following Related Party Transactions from time to time):

Sr. No.	Particular
(1)	Sale, purchase or supply of any goods or materials
(2)	Selling or otherwise disposing of, or buying, property of any kind
(3)	Leasing of property of any kind
(4)	Availing or rendering of any services
(5)	Appointment of any agents for purchase or sale of goods, materials, services or property
(6)	Related party's appointment to any office or place of profit in the company, its subsidiary company or associate company
(7)	Underwriting the subscription of any securities or derivatives of the Company
(8)	Transactions with the Directors and persons connected with them for consideration other than cash
(9)	Such other transactions as may be prescribed by the Act or Rules issued thereunder from time to time