

AURO LABORATORIES LIMITED

POLICY ON RELATED PARTY TRANSACTIONS#

[Pursuant to Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

#adopted in supersession of policies earlier approved by the Board from time to time and shall be effective from 1st April 2022.

1. PREAMBLE

The Company is committed to practicing the maximum transparency in the conduct of Related Party Transactions in sync with its corporate governance philosophy based on the objective of continuing ethical conduct in fulfilling its responsibilities and recognizes that Related Party Transactions can present a risk of actual or apparent conflicts of interest of the Directors, Senior Management etc. with the interest of the Company.

The Board of Directors (the "Board") of **Auro Laboratories Limited** (the Company) has adopted the following policy on Related Party Transactions to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company.

2. OBJECTIVE

This policy is framed as per the requirement of SEBI (LODR) Regulations, 2015 (as amended from time to time) and in accordance with the provisions of Section 188 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014. Related Party Transaction (RPT) transactions are appropriate only if they are in the best interest of the Company and its stakeholders in addition to being in conformity with the applicable laws. The Company is required to disclose each year in the Financial Statements RPT as well as the policy concerning RPT.

There being two sets of regulations governing RPT and Company being a listed entity, more stringent of the two shall be adhered to in the conduct of RPT by the Company.

Policy has been designed to ensure the transparency of approval process and disclosures requirements for fairness in the conduct of RPT in accordance with the applicable laws. This policy shall supplement the Company's practices applicable to or involving the transactions with related persons. Further, the Board may amend this policy from time to time as may be required.

The Audit Committee of Directors ("Audit Committee"), shall review, approve and where permitted ratify related Party Transactions based on this Policy in terms of the requirements under the above regulatory provisions as applicable.

3. DEFINITIONS

"Act" means the Companies Act, 2013 and rules made there under as amended from time to time.

"Approval by disinterested shareholders" means, voting by shareholders in favour of the Special Resolution (with three fourth approving this), other than Directors and Promoters/Promoter Group.

“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. For determination of Arm’s Length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.

“Audit Committee or committee” means a committee of the Board of Directors of the Company constituted under provisions of the Act and Listing Regulations.

“Board of Directors or Board” shall mean Board of Directors of the Company.

“Control” as defined under the Act includes the right to appoint majority of the 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 agreements or voting agreements or in any other manner.

Provided that a director or officer of a target company shall not be considered to be in control over such target company, merely by virtue of holding such position; [As per SEBI (SAST) Regulation]

“Listing Regulations” means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

“Material Modification” in terms of SEBI LODR means any modification(s) in the pricing, quantity or overall transaction value having a variance of 20% (twenty percent) or more, in the relevant previously approved related party transaction.

“Material Related Party Transactions” means a transaction with a related party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year:

- i. In case of transactions involving payments made with respect to brand usage or royalty, if it exceeds 5% of the annual consolidated turnover of the Company as per its last audited financial statements;
- ii. In case of any other transaction(s), if the amount exceeds Rs 1,000 crores or 10% (ten percent) of the annual consolidated turnover of the Company as per its last audited financial statements, [whichever is lower].

“Related Party” as per SEBI LODR regulations, 2015 means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

[Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
- (b) any person/entity holding equity shares in the listed entity, as below, either directly or on a beneficial interest basis at any time during the immediately preceding financial year:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023;**

“Related party transaction” means transaction in the nature of contract involving transfer of resources, services or obligations between the Company and the Related Party, regardless of whether a price is charged.

Explanation – A “transaction” with a Related Party shall be construed to include single or a group of transactions in a contract.

[The RPT shall include transactions between -

- a. the 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;
- b. the Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries w.e.f. April 1, 2023.]

4. POLICY

a) Terms of the policy

All Related Party Transactions, where the Company is a party to such transactions, must be reported to the Audit Committee and referred for approval by the Committee in accordance with this policy.

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions

b) 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 require. Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with the Policy.

The Company strongly advocates receipt of 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.

c) Review and approval of related party transaction

Audit Committee

- All Related Party Transaction as prescribed under the Companies Act, 2013 and the Listing Regulations and subsequent material modification(s) shall be subject to the prior approval of the Audit Committee.
- Members of the audit committee, who are independent directors, shall only approve related party transactions.
- The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to compliance of the conditions contained in the Companies Act, 2013 and SEBI LODR as amended from time to time.
- The Audit Committee will review in each of its meeting, at least on a quarterly basis, the details of RPTs in pursuance of 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.
- The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

The Committee shall also satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.

If any additional Related Party Transaction is to be entered by the Company post omnibus approval granted by the Audit Committee, then the Company shall present such transaction before the Audit Committee in its next meeting for its prior approval.

- The Audit Committee shall also review the statement of significant related party transactions submitted by management as per its terms of reference.
- Any member of the Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party Transaction.
- To review a Related Party Transaction, the Committee shall be provided with the necessary information [(as prescribed under the Companies Act, 2013 and/or the SEBI Listing Regulations, from time to time)], to the extent relevant, with respect to actual or potential Related Party Transactions.
- The Audit Committee shall recommend the Related Party Transactions for approval of Board of Directors / Shareholders as per terms of this policy.

d) Approval of the Board

All Related Party Transactions which are not in the ordinary course of business or not at the arm's length price shall require prior approval of the Board of Directors of the Company.

Where any director is interested in any Related Party Transaction, such director will abstain from discussion and voting on the subject matter of the resolution relating to such Transaction.

Further, If the Audit Committee determines that a particular RPT needs to be brought before the Board or if the Board on its own accord elects to review any such matter or it is mandatory under any law for the Board to approve such RPT, then the Board shall consider and approve such RPT. In doing so, the Board may impose such condition or modification as may be necessary or appropriate under the circumstances.

e) Approval of the Shareholders

All related party transactions which are not in the ordinary course of business or not at the arm's length price and are exceeding threshold limits prescribed in the Act shall require prior approval of shareholders of the Company by way of Ordinary Resolution.

No related party can vote to approve the resolution for above purpose. For this purpose, all entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

Further, the information as prescribed under the Companies Act, 2013 and/or the SEBI Listing Regulations, from time to time shall be provided in the Notice to the shareholders for consideration of RPTs.

f) Transactions not requiring approval

Notwithstanding the foregoing, the following RPTs shall not require the approval of Audit Committee, Board or Shareholders except where required under specific provisions of the Companies Act:

- i. Transactions pertaining to the appointment and remuneration of Directors and KMPs that are already approved on the recommendation of the Nomination and Remuneration

Committee by the Board and also the reimbursement of reasonable expenses incurred by them in the normal course of business.

- ii. Transactions that have been approved by the Board under specific provisions of the Companies Act, 2013.
- iii. Transactions arising out of corporate actions that are uniformly applicable/ offered to all shareholders on pro-rata basis.

5. PENALTIES

Notwithstanding the quantum of penalties having been raised in the Companies Act, 2013, violation of the provisions governing RPT also stipulate imprisonment up to one year. Section 188(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 authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

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.

Any director or any other employee of a company, who had entered into or authorized the contract or arrangement in violation of the provisions of this section shall,—

- (i) in case of listed company, be liable to a penalty of twenty-five lakh rupees and
- (ii) in case of any other company, be liable to a penalty of five lakh rupees

6. DISCLOSURES

As mandated under the Listing Regulations, the Company shall disclose this Policy on its website i.e. www.aurolabs.com and in the Annual Report. Disclosures regarding related party transactions will be made in accordance with the Applicable Laws.

7. REVIEW

This Policy may be amended, modified or supplemented from time to time to ensure compliance with any modification, amendment or supplementation to the Listing Regulations or as may be otherwise prescribed by the Audit Committee/ Board from time to time.