

PROLIFIC RESOLUTION PRIVATE LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

Pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as approved by the Audit Committee on May 15, 2023 and adopted by Board of Directors on May 15, 2023

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1. PREAMBLE

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the Company and its Shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 read with the Rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (**“SEBI Listing Regulations”**), Prolific Resolution Private Limited has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23(1) of the SEBI Listing Regulations requires the Company to formulate a Policy on materiality of related party transactions and dealing with related party transactions.

In the light of the above, the Company has framed this Policy on Related Party Transactions. This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee to:

- a. Regulate transactions of the Company with its related parties (as defined and identified under the Companies Act, 2013 and Rules made thereunder) and the SEBI Listing Regulations.
- b. Ensure high standards of Corporate Governance while dealing with related parties.
- c. Ensure optimum compliance with various applicable laws prescribed for related party transactions.

2. DEFINITIONS AND TERMS OF REFERENCE

- 📌 **“Act”** means the Companies Act, 2013 as amended from time to time;
- 📌 **“Audit Committee”** shall mean the Audit Committee constituted by the Board of the Company from time to time, in accordance with the provisions of Section 177 of the Act and Regulation 18 of the SEBI Listing Regulations.
- 📌 **“Board of Directors” or “Board”** means the collective body of the Directors of the Company, as constituted from time to time, in line with the provisions of the Act and SEBI Listing Regulations.
- 📌 **“SEBI Listing Regulations”** means SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- 📌 **“Arm’s Length Transaction”** Terms will be treated as on ‘Arm’s Length Basis’ if the commercial and key terms are comparable and are not materially different with similar transactions with non-related parties considering all the aspects of the transactions such as quality, realizations, other terms of the contract, etc.
- 📌 **“Ordinary Course of Business (‘OCB’)** means a transaction which/wherein:
 - a. Is carried out in the normal course of business envisaged in accordance with the Memorandum of Association (‘MOA’) of the Company;

- b. Is as per historical practice with a pattern of frequency;
- c. Is in connection with the normal business carried on by the Company;
- d. The income, if any, earned from such activity/transaction is assessed as business income in the Company's books of accounts and hence is a business activity;
- e. Is common commercial practice;
- f. Meets any other parameters/criteria as decided by the Board/Audit Committee.

✚ **“Company”** means Prolific Resolution Private Limited;

✚ **“Relative”** in relation to a related party shall have the same meaning assigned to under Section 2(77) of the Act.

✚ **“Related Party”** shall have the meaning as defined in Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI Listing Regulations.

✚ **“Related Party Transaction”** have the meaning as defined under Regulation 2(1)(zc) of the SEBI Listing Regulations, as amended, shall mean a transaction involving a transfer of resources, services or obligations between 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, 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, including but not limited to the following-

- 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. appointment to any office or place of profit in the Company
- g. underwriting the subscription of any securities or derivatives thereof, of the Company.

Following shall not be considered related party transaction of the Company in terms of SEBI Listing Regulations:

- 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. Payment of dividend by the Company
- c. Subdivision or consolidation of securities by the Company
- d. Issuance of securities by way of a rights issue or a bonus issue and
- e. Buy-back of securities.

✚ **“Material Related Party Transaction”** means a transaction with a related party as per thresholds as described under Clause 3 of this Policy.

📌 **“Material Modification”** means any modification made in the value/exposure of any ongoing or proposed related party transaction, as originally approved by the Audit Committee and/or Shareholders, which has the effect of variation in the approved value of the transaction, by 25% or more or by which the transaction ceases to be in ordinary course and/or on arm’s length basis or such other parameter as may be determined by the Audit Committee from time to time.

Material terms of the contract resulting in novation of the contract, change in tenure of the contract, deferment of security / guarantee shall also be treated as a material modification of the transaction.

📌 **“Key Managerial Personnel” or “KMP”** shall have the meaning as defined under Section 2(51) of the Act.

3. MATERIALITY THRESHOLDS

Regulation 23 of the SEBI Listing Regulations requires a Company to provide materiality thresholds for transactions with its related party beyond which approval of the Shareholders of the Company will be required through a resolution.

The Company has fixed its materiality thresholds at the level prescribed under Explanation to Regulation 23(1) of the SEBI Listing Regulations as under:

- a. In case of transaction involving payments made to a related party with respect to brand usage or royalty, if it exceeds five percent (5%) of the annual consolidated turnover of the Company as per its last audited financial statements.
- b. In case of any other transaction, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rupees 1,000 crore or ten percent (10%) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.
- c. Further, Regulation 23 of the SEBI Listing Regulations provide that any subsequent Material Modifications to the terms of such transactions, as defined by the Audit Committee, shall also require shareholders’ prior approval by way of a resolution. Material modification shall be construed as one meeting the conditions as provided in point number 2 of this Policy.

4. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

4.1. IDENTIFICATION OF RELATED PARTIES

The Company shall identify and update the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Regulation 2(1)(zb) of the SEBI Listing Regulations.

4.2. IDENTIFICATION OF RELATED PARTY TRANSACTIONS

The Company shall identify related party transactions in accordance with Section 188 of the Act and Regulation 2(1)(zc) of the SEBI Listing Regulations. The Company shall determine whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company may seek external professional opinion, if necessary.

4.3. PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS

A. PRIOR APPROVAL OF THE AUDIT COMMITTEE

1. Prior approval of the Audit Committee shall be required for:
 - a. All Related Party Transactions ("RPTs") and subsequent material modifications as defined by the Audit Committee.
 - b. RPTs where Subsidiary is a party, but the Company is not a party and the value of transactions individually or taken together with previous transactions during a financial year exceed the threshold of 10% of the annual standalone turnover as per last audited financial statements of the Subsidiary.
2. Prior approval of the Audit Committee shall not be required for:
 - a. Related Party Transactions, where the listed Subsidiary is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed Subsidiary.
 - b. Related Party Transactions of unlisted Subsidiaries of the Company, where the prior approval of the Audit Committee of the listed Subsidiary is obtained.
 - c. Transactions entered into between the Company and its Wholly Owned Subsidiary whose accounts are consolidated with the Company and placed before the Shareholders at the general meeting for approval.
 - d. Transactions entered into between 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.
3. Members of the Audit Committee, who are Independent Directors, shall alone approve Related Party Transactions.

B. OMNIBUS APPROVAL OF THE AUDIT COMMITTEE

All related party transactions shall require approval of the Audit Committee and the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the Company subject to the following conditions, namely:

1. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely: -
 - a. Maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year.
 - b. The maximum value per transaction which can be allowed.
 - c. Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval.
 - d. Review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the Company pursuant to each of the omnibus approval made.
 - e. Transactions which cannot be subject to the omnibus approval by the Audit Committee.
2. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -
 - a. Repetitiveness of the transactions (in past or in future).
 - b. Justification for the need of omnibus approval.
3. The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company.
4. The omnibus approval shall contain or indicate the following: -
 - a. Name of the related parties.
 - b. Nature and duration of the transaction.
 - c. maximum amount of transaction that can be entered into.
 - d. The indicative base price or current contracted price and the formula for variation in the price, if any.
 - e. Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:

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

5. The Audit Committee shall review, at least on a quarterly basis, the aggregated value and other details of Related Party Transactions transacted into by the Company pursuant to the omnibus approval given.
6. Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year.

7. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
8. Transaction of following nature will not be subject to the omnibus approval of the Audit Committee:
 - a. Transactions in respect of selling or disposing of the undertaking of the Company.
 - b. Transactions which are not at arm's length or not in the ordinary course of business.
 - c. Transactions which are not repetitive in nature.
 - d. Any other transaction the Audit Committee may deem not fit for omnibus approval.

C. INFORMATION TO BE REVIEWED BY AUDIT COMMITTEE AND SHAREHOLDERS FOR APPROVAL OF RPTs AS PER SEBI DISCLOSURE OBLIGATIONS:

In terms of SEBI Circular dated July 29, 2022, the information as prescribed in the said Circular as amended from time to time must be reviewed by the Audit Committee for approval of proposed related party transactions.

D. APPROVAL OF THE BOARD OF DIRECTORS OF THE COMPANY:

1. 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, are placed before the Board for its approval.
2. In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:
 - a. Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) would require Board approval in addition to Audit Committee approval.
 - b. Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval.
 - c. Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
 - d. Transactions meeting the materiality thresholds laid down in Clause 3 of the Policy and any subsequent material modification to a material related party transaction, which are intended to be placed before the Shareholders for approval.

E. APPROVAL OF THE SHAREHOLDERS OF THE COMPANY:

1. All the transactions with related parties meeting the materiality thresholds, laid down in Clause 3 of the Policy, and any material modifications thereto as defined in Clause 2 will be placed before the Shareholders for their approval.

2. The omnibus Shareholders' approval of material related party transactions approved in an Annual General Meeting shall be valid up to the date of the next Annual General Meeting for a period not exceeding fifteen months. Further in case of omnibus approval for material related party transactions, obtained from Shareholders in General Meetings other than Annual General Meeting, the validity of such omnibus approvals shall not exceed one year.
3. All kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business or not at arm's length basis; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 shall be placed before the Shareholders for their approval.
4. For this purpose, related party shall/ shall not vote in accordance with the provisions of SEBI Listing Regulations and Companies Act, 2013.
5. Pursuant to Regulation 23(5)(b) of the SEBI Listing Regulations and Section 188(1) of the Act as amended from time to time, the requirement for seeking Shareholders' approval shall not be applicable, inter alia, to:
 - a. Transactions entered between the Company and its Wholly Owned Subsidiary whose accounts are consolidated with the Company and placed before the Shareholders at the General Meeting for approval.
 - b. Transactions between 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.
 - c. Above prior approval of the Shareholders shall not be required in cases where the Subsidiary is a listed entity and Regulations 23 and 15(2) of the SEBI Listing Regulations are applicable to such listed Subsidiary.
 - d. Also, requirements for Shareholders' approval shall not apply in respect of a resolution plan approved under Section 31 of the Insolvency Code, subject to the event being disclosed to the Stock Exchange within one day of the resolution plan being approved.
6. In terms of disclosure obligations mandated by SEBI, all information as reviewed by the Audit Committee in Clause C above shall be provided to the Shareholders as part of the explanatory statement to the Notice convening the General Meeting.

5. DISCLOSURES

- a. The Company shall disclose, in the Board's Report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.
- b. In addition to the above, the Company shall also provide details of all related party transactions exceeding the materiality threshold (laid down in Clause 3 of this Policy) on a quarterly basis to the Stock Exchange along with the Compliance Report on Corporate Governance pursuant to SEBI Listing Regulations.
- c. The Company shall submit within the timelines prescribed under Regulation 23(9) of the SEBI Listing Regulations, disclosures of related party transactions on a consolidated basis, in the format specified by SEBI from time to time and publish the same on its website.
- d. As prescribed under Regulation 62(1A) of the SEBI Listing Regulations, this Policy shall be disclosed on the Website of the Company at www.prolific resolution.com.

6. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

- a. 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 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 Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems and shall take any such action it deems appropriate.
- b. In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the Shareholders, payment of compensation for the loss suffered by the Company etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

7. REVIEW OF POLICY

The Management of the Company may carry out changes to this Policy from time to time so as to bring them in line with the amendments as may take place under SEBI Listing Regulations and/or the Companies Act, 2013.

Further the adequacy of this Policy shall be reviewed and reassessed by the Audit Committee periodically and appropriate recommendations shall be made to the Board to update the Policy based on the changes necessitated, if any, including due to any regulatory amendments or otherwise.

8. ADMINISTRATIVE MEASURES

The Company's Management shall institute appropriate administrative measures to ensure that all RPTs entered into by the Company are in compliance with applicable laws and this Policy. All persons dealing with the related party(ies) shall, irrespective of their level, be responsible for compliance with this Policy. The detailed processes relating to implementation of this Policy, as may be approved by the Audit Committee from time to time, shall be followed by all concerned.

The Internal Auditors of the Company shall review the RPTs entered into by the Company on a periodic basis and report their observations to the Audit Committee. The Company Secretary shall be responsible to maintain/update the list of related parties (as required by applicable laws) and provide the same to all concerned. It is the duty of all Employees of the Company to ensure that they do not deal with related parties under any kind of influence or coercion. The cases involving any unwarranted pressure should be promptly reported as per mechanism provided under the Whistle Blower Policy of the Company