



Policy on Related Party Transactions

Area of Application

- x Applicable for 1046 Merck Ltd
- x Applicable for 1730 Merck Specialties Pvt Ltd
- x Applicable for 1961 Millipore (India) Pvt Ltd
- x
- x
- x

Date/Valid from	01.04.2014
Approved by	Claus-D. Boedecker, MD
Owner	Vikas R Gupta, General Counsel & Company Secretary
Reviewed by	Krishnan N., CFO
Version	1.0
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RATIONAL AND OBJECTIVE

Merck Limited (hereinafter referred to as “Merck” or “The Company”) in its day to day operations enters into transactions with many Related Parties spread across the globe. The Company enters into such transactions to meet its business objectives and at the same time it recognises the need to maintain transparency and being compliant of its obligations towards stakeholders including shareholders, regulators, employees, etc. It believes that there shall not be any conflicts of interest or non disclosure of such transactions. This policy, which is consistent with the provisions of the Companies Act, 2013 and clause 49 (revised as on 15.09.2014) of the Listing Agreement, aims at ensuring that the Company follows a transparent and compliant procedure and guidelines to enter into such transactions.

EXECUTIVE SUMMARY

The Policy lays down the framework within which the transactions with Related Parties shall be entered into by the Company; it provides definition of some of the terms generally used in identification and monitoring such transactions; it defines the process of approval and disclosure of such transactions. The policy also lays down the process of identification of the Related Parties, which inter-alia requires cooperation and contribution of all key employees of the Company. The policy has been prepared based on the legal provisions relating to related party transactions as enumerated in the Companies Act 2013 and Clause 49 of the Listing Agreement (as amended up to September 15, 2014)

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POLICY AND PROCEDURE

1. APPLICABILITY

The policy applies to all Related Party Transactions to be entered by the Company on or after October 01, 2014.

2. DEFINITIONS

2.1 Arms 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.

2.2 Financial Year means a period of 12 months from January 1 to December 31.

2.3 Ordinary Course of Business means the usual transactions, customs and practices undertaken by the Company to operate its business activities including the activities which the Company can undertake as per its Memorandum & Articles of Association.

2.4 Material Related Party Transaction means the transaction / transactions to be entered into individually or taken together with previous transactions during a Financial Year, exceeds ten percent of the annual turnover of the company as per the last audited financial statements of the Company.

2.5 Related Parties 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 director;
- (v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent. of its paid-up share capital;
- (vi) anybody 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;

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- (viii) any company which is—
 - (A) a holding, subsidiary or an associate company of such company; or
 - (B) a subsidiary of a holding company to which it is also a subsidiary;
- (ix) such other person as may be prescribed; and
- (x) such entity is a related party under the applicable accounting standards

2.6 Related Party Transaction means any transaction or contract or arrangement with a Related Party with respect to inter-alia sale, purchase or supply of goods or material; or availing or rendering any services; selling, leasing or otherwise disposing off, or buying of any kind of property; and appointment to any office or place of profit, underwriting the subscription of any securities and derivatives.

2.7 Relative with reference to any person means, any person who is related to another, if, they are members of HUF; they are husband and wife; or One person is related to other in a manner being Father (includes step-father), Mother (includes step-mother), Son (includes step-son), Son's wife, Daughter, Daughter's husband, Brother (including step-brother) and Sister (including step-sister)

3. POLICY

All transactions relating to transfer or acquisition of resources, services or obligations between the company and a related party, would get covered as a 'Related Party Transaction', whether or not, there is an element of consideration or price. All such transactions to be undertaken only in compliance of this policy.

4. APPROVAL PROCESS

4.1 All Related Party Transactions to have Prior Audit Committee Approval

The Company will enter into any transaction with Related Party only after obtaining the approval of the Audit Committee. However, the Audit Committee may grant omnibus approval of certain transactions. Such approval will be valid for one year and shall be reviewed at quarterly intervals.

Omnibus pre-approval of Audit Committee

Where the transactions with related party are frequent / regular and repetitive and are in the Ordinary Course of Business, the Audit Committee may grant omnibus pre-approval. While granting such omnibus approval the Audit Committee shall satisfy itself of the need

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for the omnibus approval and that same is in the interest of the Company. The omnibus approval shall specify the following:

- a. Name of the related party
- b. Nature of the transaction
- c. Period of the transaction
- d. Maximum amount of the transactions that can be entered into
- e. Indicative base price / current contracted price and formula for variation in price, if any
- f. Such other conditions as the Audit Committee may deem fit.

The transactions with Related Parties within such omnibus approval will not require any further approval of the Audit Committee for each specific transaction. Any proposed variations / amendments to these factors shall require a prior approval of the Committee.

Further, where the prescribed details are not available, the Audit Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only).

The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification. Further, the Committee shall on an annual basis review and assess such transactions including the limits to ensure that they are in compliance with this Policy. The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

4.2 Board and Shareholder Approval

For any Material Related Party Transaction or the Related Party Transactions which are not in the Ordinary Course of Business or on Arm's Length basis prior approval of the Audit Committee, Board of Directors and Shareholders, as applicable, shall be obtained before entering into such transactions.

Audit Committee or the Board may approve the Related Party Transaction by resolution by circulation.

4.3 Interested Director or shareholder to Abstain from attending the meeting

No member of the Board or Committee or shareholder who is interested in any Related Party Transaction being considered at the respective meeting shall participate in such meeting or vote on the resolution approving such transaction.

Respective departments shall proceed with such Related Party Transactions only after getting confirmation from the Company Secretary that all required approvals have been obtained.

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5. DISCLOSURES

5.1. *Disclosures by Directors and Key Managerial Personnel*

Each director and key managerial personnel has the responsibility to disclose information related to their relatives and entities where they or their Relatives are considered as Related Parties.

Each director, key managerial personnel and other senior management personnel who either herself/himself or through any entity which is related to her/him intends to enter into any transaction with Related Party or is instrumental in entering into any transaction on behalf of the Company with any Related Party shall prior to entering into such transaction inform the Company Secretary the following details of the proposed transaction:

- the rationale of entering into such Related Party Transaction;
- justification of pricing and other terms with details, whether the transaction is on Arms Length basis;
- whether such transaction is in the Ordinary Course of Business;
- the expected volume of business in relation to the transaction and the aggregate volume of business with the same Related Party during the financial year; and
- such other details as may be requested by the Company Secretary.

Each Director and key managerial personnel of the Company shall promptly notify to the Company Secretary of any transaction or Relationship that could reasonably be expected to give rise to any conflict of interest.

5.1.b *Consequences of non disclosure*

Non compliance of the provisions of this policy and consequently the applicable legal provisions may result in fine and penalty for the Company and the relevant directors and personnel. The Board of directors may decide to declare any contract void entered with related party which has not been disclosed or approved as per this policy. The Company reserves the right to initiate disciplinary action against the concerned employee.

5.2 *Identification of Potential Related Parties*

The Company Secretary shall circulate a questionnaire (refer Annexure A), on annual basis, to all directors and key managerial personnel soliciting the information of their related parties. Such identified directors and officers shall provide complete, correct and up to date information as sought in the questionnaire. In case there is any change in the information so

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submitted it is incumbent upon such persons to immediately inform, in writing, to the Company Secretary about such change.

5.3 Disclosures of Related Party Transactions by the Company

This Policy and every contract or arrangement entered into under section 188 (1) of the Companies Act 2013 will be disclosed in the Board's Report to the shareholders along with the justification for entering into such contract or arrangement.

Every Material Transaction shall be reported to the Stock exchange on quarterly basis within fifteen days from the end of the quarter.

This Policy will be will be disclosed on the Company's website.

The Company shall maintain Register in the prescribed form.

Details of all material transactions with related parties shall be disclosed, quarterly in the Compliance Report on Corporate Governance., as required under listing agreement.

Role	Name & Title	Signature
Owner	Vikas R.Gupta,General Counsel & Company Secretary	
Reviewer	Krishnan N. CFO	
Approver	Dr. Claus-D. Boedecker Managing Director	

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Annexure A

RELATED PARTY QUESTIONNAIRE

Name of Director / Key Managerial Personnel:	
Designation:	
Address:	

1. DETAILS OF YOUR RELATIVES				
Relation	Name	Residential Address	No. of Shares held in Merck Limited	Email ID, IF ANY
Spouse				
Father (including step-father)				
Mother (including step-mother)				
Son (including step-son)				
Son's wife				
Daughter (including step-daughter)				
Daughter's husband				
Brother (including step-brother)				
Sister (including step-sister)				

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Answer following questions if you are a Director of the Company, otherwise skip rest of the questionnaire and sign towards the end of this questionnaire.

2. ADDITIONAL DETAILS REQUIRED FOR RELATED PARTY INFORMATION:

2.1 Whether you or any of your relatives are a partner in any firm?

- No
- Yes

If yes, please provide the following details of each of these firms.

Name of Director/ Relatives	Firm name and address	Any other relevant information.

2.2 Whether you are a director or Member in any Private Limited company?

- No
- Yes

If yes, please provide the following details of each of such companies.

Name of Director/ Relatives	Company Name	Relation (Director or Member)

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2.3 Are you a director of a Public Limited company?

- No
- Yes

If yes, please provide the following details of each of such companies.

Name of Director/ Relatives	Company Name	Relation (Director or Member)

2.4 Are you along with your relatives are holding more than 2% of paid up capital of any public company?

- No
- Yes

If yes, please provide the following details of each of these Companies.

Public Company Name	Number & %age of paid up share capital

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* 2.5 Is there any Body Corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with your advice, directions or instructions?

- No
- Yes

If yes, please provide the following details of each of such persons.

Sr. No.	Name and address of Body Corporate or its Directors or its MD who are accustomed to act on your advice or directions or instructions

* 2.6 Are you accustomed to act in accordance with advice, directions or instructions of any person:

- No
- Yes

If yes, please provide the following details of such persons.

Sr. No.	Name and address of the Advisor

NOTE:

* Question numbers 2.4 and 2.5 above shall not be applicable in case you or any person is acting as advisor or is accustomed to act in a professional capacity, e.g. a Lawyer providing legal advice to board of a company.

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2.7 Do you have the ability to control or exercise significant influence over any other entity, directly or indirectly, in making financial and/or operating decisions.

- No
- Yes

If yes, please provide the following details of such persons.

Sr. No.	Name and address of the Party

Name:

Date: