

---

## **Related Party Transaction Policies and Procedures**

**Medibio Limited**

**ACN 008 130 336**

---

## Contents

1. Purpose	1
2. Related party transaction policy	1
3. Definitions	1
4. Related party transaction obligations – Corporations Act	3
5. Transactions with a person in a position of influence (including related parties) – ASX Listing Rules	6
6. Related party transaction obligations – accounting standards	7
7. Procedures for dealing with related party transactions	9
8. Review	10
9. Contact	11
10. Approved and Adopted	11
Annexure A Factors to consider when determining whether a transaction is 'arm's length' for the purpose of the related party provisions in the Corporations Act	12

## 1. Purpose

---

This document sets out the Policy for the handling of, and the procedures for dealing with, related party transactions and transactions involving a person in a position of influence for Medibio Limited ACN 008 130 336 (**Medibio**) and its Subsidiaries (**Medibio Group**).

## 2. Related party transaction policy

---

### Related party transactions

Chapter 2E of the Corporations Act sets out the related party provisions which must be complied with by public companies, such as Medibio. In summary, these provisions provide that public companies and their Subsidiaries must not give a financial benefit to a related party without the approval of the shareholders of the public company, unless the giving of the benefit falls into one of the exceptions listed in the Corporations Act (summarised below at section 4.6).

### Transactions with a person in a position of influence

In addition to the requirements prescribed by the Corporations Act, Medibio must also comply with the requirements of the ASX Listing Rules, specifically (in the context of this Policy) the provisions in Chapter 10 of the ASX Listing Rules which relate to transactions with persons in a position of influence.

All related party transactions and transactions with persons in a position of influence that are contemplated, proposed and/or entered into by Medibio must be considered in accordance with this Policy to ensure compliance with the Corporations Act, ASX Listing Rules and the Australian Accounting Standards.

Before Medibio enters into a related party transaction or a transaction with a person in a position of influence, such transaction must be reviewed and considered in accordance with the procedures set out in section 7 to ensure that the proposed transaction complies with this Policy.

This Policy applies to each company forming part of the Medibio Group. As at the date of this Policy, the Medibio Group includes the following companies:

- (a) Annapanna Pty Ltd (ACN 114 537 692)
- (b) Australian Phytochemicals Pty Ltd (ACN 094 429 802)
- (c) BioProspect America Pty Ltd (ACN 095 911 729)
- (d) BioProspect Australia Pty Ltd (ACN 084 467 961)
- (e) Invatec Health Pty Ltd (ACN 112 763 747)
- (f) Medibio Limited - USA

(together referred to as Medibio or the **company** as the context may require).

## 3. Definitions

---

In this Policy, unless the context otherwise requires:

**ARC** means the Audit and Risk Committee;

**ASIC** means the Australian Securities & Investments Commission;

**Associate** means:

- (a) a person who makes, or proposes to make, an agreement, arrangement or understanding with another person, whether formal or informal, written or oral, and whether or not legally binding, for controlling or influencing the composition of an entity's board or the conduct of an entity's affairs; or
- (b) a person who amongst other things, acts in concert, or proposes to act in concert, with another person in relation to an entity's affairs; or
- (c) a person in partnership with another person who carries on a financial services business; or
- (d) in the context of a company, each of the company's directors, its secretary and each of its related bodies corporate;

**ASX** means ASX Limited;

**ASX Listing Rules** means the ASX Listing Rules published by ASX from time to time;

**Corporations Act** means the *Corporations Act 2001* (Cth);

**Financial benefit** has the meaning given to that term under section 4.5;

**Person in a position of influence** means a person who satisfies one or more of the following:

- (a) a related party of Medibio;
- (b) a Subsidiary (but not a wholly owned Subsidiary) of Medibio;
- (c) a substantial holder, if the person and their Associates have a relevant interest or had a relevant interest in the preceding six months in at least 10% of the total voting shares of Medibio;
- (d) an Associate of a person referred to in paragraphs (a) to (c) above; or
- (e) a person whose relationship to the entity or a person referred to in paragraphs (a) to (d) above is such that in ASX's opinion, the transaction should be approved by shareholders; and

**Related party** has the meaning given to that term under section 4.4;

**Relevant Interest** means where a person:

- (a) has power to exercise, or control the exercise of, a right to vote attached to a share; or
- (a) is the holder of a share; or
- (b) has power to dispose of, or control the exercise of a power to dispose of, a share;

**Subsidiary** means, in the context of this Policy, where Medibio:

- (a) holds more than half of the issued share capital of a company (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital);
- (b) controls the composition of the board of a company; or
- (c) is a position to cast, or control the casting of, more than half of maximum number of votes that might be cast at a general meeting of a company.

## 4. Related party transaction obligations – Corporations Act

---

### 4.1 Sources of the obligations

The source of Medibio's related party transaction obligations is Chapter 2E of the Corporations Act. The obligations imposed under Chapter 2E are separate and in addition to the general director's duties imposed by the Corporations Act and at general law.

### 4.2 Roles and responsibilities of ASIC

ASIC is responsible for enforcing the Corporations Act and administers the regime for related party transactions.

### 4.3 Corporations Act obligations

Before Medibio may give a financial benefit to a related party one of the following requirements must be satisfied:

- (a) Medibio must obtain the approval of its shareholders and give the benefit within 15 months after the date of the approval; or
- (b) the Board of Directors must resolve that the giving of the benefit falls under one of the exceptions set out in section 4.6.

*(Section 208 of the Corporations Act)*

### 4.4 What is a 'related party'?

The Corporation Act provides that the following are related parties of Medibio:

- (a) an entity that controls Medibio (**Controlling Entity**);
- (b) the Directors of Medibio;
- (c) the Directors of any entity that controls Medibio;
- (d) the spouses, children and parents of the Directors referred to in (b) and (c);
- (e) any entity controlled by Medibio;
- (f) any entity controlled by a related party referred to in paragraphs (a) to (e), unless the entity is controlled by Medibio;
- (g) any entity that was a related party of a kind referred to in paragraphs (a) to (f) at any time within the previous six months; and
- (h) an entity is a related party of Medibio at a particular time, if the entity believes or has reasonable grounds to believe that it is likely to become a related party of Medibio of a kind referred to in paragraphs (a) to (f).

In considering whether Medibio is controlled - the Corporations Act (section 50AA) provides that an entity controls Medibio if it has the capacity to determine the outcome of decisions about Medibio's financial and operating policies.

In determining if Medibio controls another entity - the Corporations Act (section 50AA) provides that Medibio controls another entity if Medibio has the capacity to determine the outcome of decisions about the other entity's financial and operating policies.

In determining capacity:

- the practical influence that can be exerted should be considered – rather than specific rights that an entity can enforce; and
- any practice or pattern of behaviour affecting financial or operating policies should be taken into account.

#### **4.5 What is a 'financial benefit'?**

The term 'financial benefit' is given a broad meaning under the Corporations Act, and includes:

- (a) giving a benefit through an interposed entity;
- (b) giving a financial benefit by making an informal agreement, oral agreement or an agreement that has no binding force; and
- (c) giving a financial benefit that does not involve paying money.

The Corporations Act provides the following examples of financial benefits:

- (i) giving or providing the related party finance or property;
- (ii) buying an asset from or selling an asset to a related party;
- (iii) leasing an asset from or to a related party;
- (iv) supplying services to or receiving services from a related party;
- (v) issuing securities or granting an option to a related party; and
- (vi) taking up or releasing an option of the related party.

*(Section 229 of the Corporations Act)*

#### **4.6 Exceptions to the Corporations Act obligations**

Medibio will not be required to obtain shareholder approval to give a financial benefit to a related party where one or more of the following exceptions applies:

##### **(a) Arm's length terms**

Shareholder approval is not needed to give a financial benefit to a related party where:

- (i) the terms of the agreement would be reasonable in the circumstances if Medibio and the related party were dealing at arm's length; or
  - (ii) are less favourable to the related party than if they were dealing at arm's length,
- when considered in light of each of the relevant factors outlined in Annexure A.

*(Section 210 of the Corporations Act)*

##### **(b) Remuneration of officers or employees**

Shareholder approval is not required to give a financial benefit where the benefit is:

- (i) reasonable remuneration of Officers or employees of Medibio (when considered in the context of Medibio and the related party); or

- (ii) payment or reimbursement of reasonable expenses of Officers or employees of Medibio incurred, or to be incurred, by the Officer or employee in performing his/her duties as an Officer or employee of Medibio.

*(Section 211 of the Corporations Act)*

**(c) Indemnities, exemptions, insurance policies and payment of legal costs of officers**

Shareholder approval is not required to give a financial benefit which is an indemnity, exemption, insurance policy or legal cost of an Officer of the company<sup>1</sup>.

*(Section 212 of the Corporations Act)*

**(d) Small amounts given to a related party**

Shareholder approval is not required for a payment to a related party in a financial year where the amount to be given, when aggregated with the total of all other amounts given to the related party in that financial year, does not exceed \$5,000.

*(Section 213 of the Corporations Act)*

**(e) Benefit to a closely held subsidiary**

Shareholder approval is not required to give a financial benefit to a closely held subsidiary.

*(Section 214 of the Corporations Act)*

A company is a 'closely held subsidiary' of Medibio if the only shareholders of that company are either:

- (i) Medibio;
- (ii) a nominee of Medibio; or
- (iii) another 'closely held subsidiary' of Medibio, or a nominee of that closely held subsidiary.

**(f) Benefit to shareholders**

Shareholder approval is not required if:

- (i) the benefit is given to a shareholder of the company; and
- (ii) the giving of the benefit does not discriminate unfairly against the other shareholders of the public company.

*(Section 215 of the Corporations Act)*

**(g) Court Order**

Shareholder approval is not required to give a financial benefit under a Court order.

---

<sup>1</sup> Note that this is limited in so far as section 199A-199C of the Corporations Act 2001 (Cth) applies, such that Medibio cannot provide a financial benefit to a director, officer or secretary against liability arising out of unlawful activity. Also, Medibio cannot provide an indemnity for liability incurred by a director as an officer of Medibio where a director owed a liability to Medibio or a related body corporate, or the director owed a liability to someone other than Medibio and the liability did not arise out of conduct in good faith. Medibio cannot pay or agree to pay for director, secretary or other officer insurance against liability arising out of conduct involving a wilful breach of duty in relation to the company.

#### **4.7 Contravention**

If Medibio does not obtain shareholder approval and the financial benefit does not fall within one of the exemptions, it will have committed an offence under section 209 of the Corporations Act. Officers of Medibio Group involved in the contravention may have committed an offence if their involvement was dishonest.

### **5. Transactions with a person in a position of influence (including related parties) – ASX Listing Rules**

---

#### **5.1 Introduction**

In addition to the Corporations Act requirements, Medibio must also comply with the ASX Listing Rules, specifically (in the context of this Policy) with the provisions in Chapter 10 of the ASX Listing Rules relating to transactions with persons in a position of influence.

#### **5.2 Substantial assets**

Under Listing Rule 10.1, Medibio must ensure that neither it nor any of its subsidiary companies, or companies which it otherwise controls, acquires a substantial asset from, or disposes of a substantial asset to, any of the following persons without shareholder approval or without the grant of a waiver from ASX:

- (a) a related party of Medibio (as defined by section 4.4);
- (b) a Subsidiary (but not a wholly owned Subsidiary) of Medibio;
- (c) a substantial holder, if the person and their Associates have a relevant interest or had a relevant interest in the preceding six months, in at least 10% of the total voting shares of Medibio Limited;
- (d) an Associate of a person referred to in paragraphs (a) to (c) above; or
- (e) a person whose relationship to the entity or a person referred to in paragraphs (a) to (d) above is such that in ASX's opinion, the transaction should be approved by shareholders.

An asset is 'substantial' if its value or the value of the consideration provided for it is, or in ASX's opinion is, 5% or more of the equity interests of Medibio as set out in the latest accounts given to ASX. In calculating the value, each of the following rules applies:

- (i) intangibles must be included;
- (ii) provisions for depreciation and amortisation must be deducted;
- (iii) liabilities as part of an acquisition will not be deducted; and
- (iv) separate transactions may be aggregated, if in ASX's opinion, they form part of the same commercial transaction.

#### **5.3 Exceptions**

ASX Listing Rule 10.1 (outlined above at section 5.2) does not apply to a transaction between:

- (a) Medibio and a wholly owned Subsidiary;
- (b) wholly owned Subsidiaries of Medibio;



- (c) Medibio and a person who is a related party by reason only of the proposed transaction and because Medibio believes, or has reasonable grounds to believe, that the person is likely to become a related party because of the transaction; or
- (d) an issue of securities by Medibio for cash.

## **6. Related party transaction obligations – accounting standards**

---

### **6.1 Sources of the obligations – AASB 124**

In addition to the consideration of whether a transaction may be classified as a related party transaction under the Corporations Act or the ASX Listing Rules, Medibio must also consider whether there has been a related party transaction reporting obligation and, if necessary, then disclose this as required by the Australian Accounting Standard – AASB 124. The definition of 'related party' under AASB 124 is outlined below at section 6.4, and is broader than the definition of 'related party' provided by the Corporations Act

### **6.2 Objective**

Medibio's financial statements must contain disclosures necessary to draw attention to the possibility that its financial position of profit or loss may have been affected by the existence of transactions with a related party and outstanding balances with such parties.

### **6.3 Scope**

AASB 124 shall be applied by Medibio and its auditor in:

- (a) identifying related party relationships and transactions;
- (b) identifying outstanding balances between Medibio and its related parties;
- (c) identifying the circumstances in which disclosure of the items in paragraphs (a) and (b) are required; and
- (d) determining the disclosures to be made about the items in paragraphs (a) and (b).

### **6.4 Terminology used in AASB 124**

#### **Related Party**

A party is related to an entity to Medibio if:

- (a) directly or indirectly the party:
  - (i) controls, is controlled by, or is under common control with Medibio;
  - (ii) has an interest in Medibio that gives it significant influence over Medibio;
  - (iii) has joint control over Medibio;
  - (iv) the party is an associate (AASB 128 Investments in Associates) of Medibio;
  - (v) the party is a joint venturer in which Medibio is a venturer (AASB 131 Interests in Joint Ventures);
  - (vi) the party is a member of key management personnel of Medibio Group;
  - (vii) the party is a close member of the family of an individual referred to in (i) or (iv);

- (i) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (vi) or (vii); or
  - (viii) the party is a post-employment benefit plan for the benefit of employees of Medibio, or of any entity that is a related party of Medibio.
- (b) Control is the power to govern the financial and operating policies of any entity so as to obtain benefits from its activities.
  - (c) Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.
  - (d) A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.
  - (e) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Medibio, directly or indirectly, including any director (whether executive or otherwise) of Medibio.
  - (f) Compensation includes all employee benefits (AASB 119 Employee Benefits) including employee benefits to which AASB 2 Share Based Payment applies. Employee benefits are all forms of consideration paid, payable or provided by Medibio, or on behalf of Medibio, in exchange for services rendered to Medibio.
  - (g) Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with Medibio.

## 6.5 Disclosure

If there have been transactions between related parties, Medibio shall disclose the nature of the related party relationship as well as information necessary for an understanding of the potential effect of the relationship on the financial statements. At a minimum, disclosures shall include:

- (a) the value of the transaction(s);
- (b) the value of outstanding balance(s) and:
  - (i) their terms and conditions, including whether they are secured, and the nature of consideration to be provided in settlement; and
  - (ii) details of any guarantees given or received;
- (c) provisions for doubtful debts related to the amount of outstanding balances; and
- (d) the expense recognised during the period in respect of bad or doubtful debts due from related parties.

Disclosures are to be made separately for Medibio for each of the following categories:

- (i) entities with joint control or significant influence over Medibio;
- (ii) Subsidiaries;
- (iii) Associates;
- (iv) joint ventures in which Medibio is a venturer;
- (v) key management personnel of Medibio; and

- (vi) other related entities.

## **7. Procedures for dealing with related party transactions**

---

### **7.1 The purpose of the procedures**

The purpose of the procedures set out in this section 7 are to provide Medibio personnel with the process of identification, review, approval and disclosure of related party transactions and transactions with a person in a position of influence.

### **7.2 Immediate reference**

Any Director, Officer or employee of Medibio that is presented with a transaction, or a proposed transaction, which involves either a related party or a person in a position of influence, whether a formal arrangement or not, must immediately notify the company secretary and provide all relevant information listed in section 7.3 below.

### **7.3 Referral to ARC**

The company secretary must notify the ARC of all transactions, and proposed transactions, referred to him or her under section 7.2 and provide the ARC with copies of all relevant documentation. The information provided by the company secretary to the ARC should include the following:

- (a) details about the proposed transaction including the nature of the 'financial benefit';
- (b) information about the proposed transaction parties and how they are considered related;  
  
(Does the transaction party fall within the definition of 'related party' or 'person in a position of influence' under the ASX Listing Rules?);
- (c) whether an exception to shareholder approval applies;  
  
(Consider against the exceptions set out in section 4.6 hereof and also whether the transaction falls below the 5% threshold under ASX Listing Rule 10.1);
- (d) how arm's length may be evidenced (if relevant);  
  
(Consider the factors set out in the Annexure A to this Policy);
- (e) whether shareholder approval may be required; and
- (f) what steps must be taken to obtain shareholder approval.

### **7.4 ARC to consider the proposed transaction for compliance with the Policy**

The ARC must:

- (a) consider the information provided in order to determine whether the proposed transaction complies with this Policy, in particular, whether:
  - (i) shareholder approval is required under the Corporations Act or the ASX Listing Rules; and
  - (ii) any disclosure is required under the ASX Listing Rules and/or in Medibio's Annual Report, and
- (b) make a recommendation to the Board of Directors (i.e. whether and how to proceed with the proposed transaction).

The ARC, in conjunction with the company secretary, may seek external advices in reaching this determination.

#### **7.5 Board of Directors' consideration**

The Board of Directors must consider the information provided by the ARC in light of the matters outlined in this Policy and determine whether the transaction, or proposed transaction, requires:

- (a) shareholder approval under the Corporations Act or the ASX Listing Rules; and/or
- (b) any disclosure under the ASX Listing Rules and/or in Medibio's Annual Report.

The Board of Director's may delegate its powers under this section 7.5 to the company secretary provided that such person(s) is not a party to the transaction or the proposed transaction (as the case may be).

#### **7.6 Interested parties**

In the event a Director or Officer of Medibio is a party (either directly or indirectly) to a transaction, or a proposed transaction, referred to the company secretary under this Policy, then that Director or Officer must exclude himself/herself from the consideration and approval process of that transaction under this Policy.

#### **7.7 Where the transaction is not 'arm's length'**

Where the related party transaction is considered by the Board of Directors not to be at 'arm's length' and is not subject to any of the statutory exceptions, the transaction should be referred back to the company secretary to ensure that if proceeded with, the transaction is carried out in a manner that is compliant with the obligations imposed by the Corporation Act and ASX Listing Rules. This may include calling a meeting of shareholders to approve the related party transaction, in accordance with the Corporations Act, ASX Listing Rules and the constitution of the relevant Medibio entity.

#### **7.8 Disclosure**

The Board of Directors will confirm any statement to be made in relation to any required disclosure.

The approved related party transaction will then need to be marked as a related party transaction when it is recorded within the Board Report section 'Report on use of Delegations/ASX Continuous Disclosure'.

#### **7.9 Approved transactions**

Where the company secretary or the ARC considers the transaction to be permitted and provided that the transaction has been approved by the Board of Directors, it may then be carried out in accordance with normal operational procedures (noting that the Board of Directors may impose specific operational and/or financial conditions on a related party transaction).

For the avoidance of doubt, it is not up to an individual Director, Officer or employee to decide whether a transaction falls within the exceptions to the requirement for shareholder approval. It is a decision for the Board of Directors.

### **8. Review**

---

The ARC will review this Policy and the Procedures annually and make any appropriate recommendations to the Board of Directors. The Board of Directors is responsible for approving this Policy.

## **9. Contact**

---

If you are in doubt reading any aspect of this Policy and or the procedures to be followed in accordance with this Policy, you should contact the company secretary.

Compliance with the law and the requirements set out in this policy and procedure is the responsibility of all of Medibio's Directors, Officers, Senior Executives, employees and consultants. Any guidance provided in or under this policy and procedure does not affect individual responsibility.

## **10. Approved and Adopted**

---

This Policy was approved and adopted by the Board on 16 April 2020.

## Annexure A Factors to consider when determining whether a transaction is 'arm's length' for the purpose of the related party provisions in the Corporations Act

FACTORS FOR CONSIDERATION		YES	NO
1.	Is the transaction an Exempt Transaction <sup>1</sup> ?		
2.	Are the terms of the overall transaction at least the same as those of any comparable transaction on an arm's length basis in similar circumstances?		
3.	Are there any other commercial options available to Medibio?		
4.	Has any expert advice been received by Medibio (including any professional advice or expert advice from appropriately qualified advisers)?		
5.	Are the terms of the proposed transaction fair and reasonable to Medibio and on the same basis that would apply if the transaction did not involve a related party?		
6.	Are the terms of the proposed transaction on terms less favourable to the related party than arm's length?		
7.	Are there business reasons for Medibio to enter into the proposed transaction?		
8.	Has the proposed transaction been properly documented and reviewed?		
9.	Did Medibio follow robust protocols to ensure that conflicts of interest were appropriately managed in negotiating and structuring the transaction, particularly with regard to any unique or unusual terms/content?		
10.	Will the transaction on those terms have an impact on the financial position and performance of Medibio and non-associated members?		

If after due consideration is given to each of the above factors and it is not clear whether the potential transaction is on arm's length terms, then external independent advice from appropriately qualified advisers should be sought, after which shareholders' approval may need to be sought.

### Note <sup>1</sup> Exempt transactions

Transactions that are normally considered exempt transactions are as follows:

- (a) reasonable remuneration of an officer, such as the managing director (but this does not include director fees which are set by Medibio shareholders at a general meeting);
- (b) reimbursement of Directors' reasonable expenses incurred in performing Director duties;
- (c) payment of indemnities exemptions insurance premiums and legal expenses incurred in performing Director duties;
- (d) transactions in the ordinary course of business that do not exceed \$5,000 in any financial year;

- (e) the benefit is given to the Director in their capacity as a shareholder of Medibio and the benefit does not discriminate unfairly against other shareholders of Medibio; and
- (f) the benefit is given as a result of a Court Order.

**ANY EXEMPT TRANSACTION MUST BE CONSISTENT WITH THE EXCEPTIONS SET OUT IN THE CORPORATIONS ACT AND THE ASX LISTING RULES.**