



POLICY ON RELATED PARTY TRANSACTIONS

[Pursuant to Companies Act, 2013 and Rules made thereunder and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

Version 5.0

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POLICY ON RELATED PARTY TRANSACTIONS

1. Background

Cipla Limited ('the Company / Cipla') is a global pharmaceutical company and operates either directly, or through its subsidiaries, joint ventures and associates. In the normal course of business, Cipla enters transactions with Related Parties across the globe, to meet its business objectives. Thus, Related Party Transactions are indispensable for the Company. Cipla always follows the highest standards of ethics, governance and transparency to conduct its business activities, including Related Party Transactions. Cipla ensures that its Related Party Transactions are in the best interest of the Company and the relationship with Related Parties does not, in any way, influence the transactions.

The Companies Act 2013 ('the Act') and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI LODR') as amended from time to time, prescribe comprehensive regulatory framework governing Related Party Transactions. The Act and the SEBI LODR also require companies, to adopt comprehensive policy for dealing with Related Party Transactions.

In the above context and on the recommendation of the Audit Committee, the Board of Directors of Cipla has adopted this Policy on Related Party Transactions ('the Policy').

The Policy *inter-alia* encompasses process for identification of Related Parties, procedure for entering Related Party Transactions, approvals at various levels, criteria for granting omnibus approval by the Audit Committee, defining material modifications, disclosures and reporting obligations, etc.

2. Important Definitions

- 2.1 **"Applicable Law"** includes (a) the Act and rules made thereunder, as amended from time to time; (b) the SEBI LODR, as amended from time to time; (c) Indian Accounting Standards; and (d) any other statute, law, standards, regulations or other governmental circulars, notifications or instructions (including circulars, notifications and guidance issued by the Securities and Exchange Board of India from time to time) relating to Related Party Transactions as may be applicable to the Company.
- 2.2 **"Arm's length transaction"** means a transaction between two Related Parties that is conducted as if they are unrelated, so that there is no conflict of interest.
- 2.3 **"Management"** includes Key Managerial Personnel and employees up to one level below the Global Chief Financial Officer.
- 2.4 **"Material Modification"** means a change of more than 10% in approved price, pricing formula or value of the Related Party Transaction.
- 2.5 **"Material Related Party Transaction"** means a transaction with a Related Party which is defined as 'material' under Regulation 23 of the SEBI LODR.
- 2.6 **"Ordinary Course of Business"** shall include those transactions that satisfy any of the following criteria:
 - I. Carried out in the normal course of business of the Company and can be reasonably, envisaged to be pursuant to, or incidental to the objects specified in the Memorandum of Association of the Company (as amended from time to time), or it is required to undertaken to conduct the routine or usual transactions of the Company or has any connection with the normal business of the Company; or

II. Transactions which are incidental, ancillary or routinely effectuated in relation to business of pharma industry, or part of standard industry practice, but for which, the business of the Company would be adversely affected.

- 2.7 **“Related Party”** means a person or an entity defined as related party under the Act or SEBI LODR.
- 2.8 **“Related Party Transaction or RPT”** means a transaction defined as a related party transaction under the Act or SEBI LODR.
- 2.9 **“Relative”** is any person as defined under Section 2(77) of the Act and rules prescribed thereunder.

Explanation: Any words / terms used in the Policy but not defined herein shall have the same meaning ascribed to it, in the Act or rules made thereunder, the SEBI LODR, the Indian Accounting Standards or any other relevant legislation / law applicable to the Company.

3 Interpretation

- 3.1 In the event of a conflict between the terms of the Policy and any rule, regulation or standards, the provisions of such rule, regulation or standards shall prevail over this Policy, to the extent of such inconsistency.
- 3.2 In case of any dispute or difference upon the meaning/interpretation of any provision in the Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final. In interpreting such term / provision, the Audit Committee may, in its discretion, seek the help of the Management of the Company or an outside expert, as it deems fit.

4 Identification of Related Parties and the Related Party Transactions

- 4.1 Every director and key managerial personnel (KMP) of the Company and its subsidiaries shall,
- at the time of appointment;
 - annually; and
 - whenever there is any change in the information already submitted,
- provide requisite information about his / her Relatives and all firms, entities, body corporates, in which such director or KMP is interested, whether directly or indirectly, to the Company Secretary of the Company or the subsidiary (as the case may be). Every such director and KMP shall also provide any additional information about the transaction, that the Board /Audit Committee may reasonably request.
- 4.2 Each subsidiary shall furnish an updated list of its Related Parties to the Company.
- 4.3 On the basis of the above, a consolidated list of Related Parties shall be prepared in accordance with the provisions of the Act and SEBI LODR.
- 4.4 Potential transactions with the Related Parties, as per the above-mentioned list, shall be identified and a proposal with details as per clause 6.2 of this Policy, shall be submitted for requisite approval.
- 4.5 The subsidiaries shall, from time to time, provide to the Company, information of any proposed Material Related Party Transactions and any Material Modification(s), for the purpose of obtaining requisite approvals from the Company.
- 4.6 The subsidiaries shall provide to the Company, on a half-yearly basis, information regarding the transactions entered into with any of the Related Parties of the Company, or with any of its subsidiaries, for making required disclosures to the stock exchanges.

5 Approval of the Related Party Transactions

5.1 Approval of the Audit Committee

- 5.1.1 All RPTs between the Company and its Related Parties, and any modifications therein, shall require prior approval of the Audit Committee.
- 5.1.2 RPTs to which a subsidiary of the Company is a party, but the Company is not a party ('Other RPTs'), shall require prior approval of Audit Committee of the Company, if the value of the transaction (whether entered into individually or taken together with previous transactions, during a financial year) exceeds ten percent of the annual consolidated turnover of the Company. Provided that, if an RPT is entered into between any subsidiary of the Company and promoters, promoter group, directors or KMPs of the Company, including any entity or body corporate in which any of them are concerned or interested, such RPT will require prior approval of the Audit Committee and the threshold limit set herein, shall not be applicable.
- 5.1.3 The Audit Committee may grant omnibus approval for the RPTs, which are routine and repetitive in nature and which satisfy the criteria for omnibus approvals, as prescribed under the Act or the SEBI LODR.
- 5.1.4 Where the need for the RPT cannot be foreseen and the aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.
- 5.1.5 Such omnibus approval shall be based on the criteria specified in clause 6.1 of this Policy.
- 5.1.6 Omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval, before the expiry of the approval period.
- 5.1.7 Only Independent Directors, who are members of the Audit Committee shall approve the RPTs. In case such Independent Director is interested in any potential RPT, then he/she shall abstain from voting when such transaction is being considered.
- 5.1.8 In case the Audit Committee does not approve any transaction, it shall make its recommendations on such RPTs to the Board.
- 5.1.9 The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs, on an annual basis.

5.2 Approval of the Board of Directors

- 5.2.1 Subject to Clause 5.4, the following RPTs shall require additional, prior approval of Board of Directors:
- I. All transactions between the Company and its Related Parties which are not in the Ordinary Course of Business, or not proposed to be executed as an Arm's length transaction.
 - II. Transactions which are not approved by the Audit Committee, or in the opinion of the Audit Committee, need special consideration / determination by the Board.
 - III. Where it is mandatory under any law for Board to approve such transactions, or where the Board, suo-moto chooses to review such RPTs.
 - IV. RPTs in which the promoters, promoter group, directors, and KMPs of the Company are concerned or interested.

- 5.2.2 Where any director is concerned or interested in any potential RPT, such director shall abstain from discussion and voting when such transaction is being considered.

5.3 Approval of the Shareholders of the Company

- 5.3.1 Subject to Clause 5.4, the following RPTs and subsequent Material Modifications thereto, shall be subject to prior approval of shareholders of the Company, by way of a resolution:
- I. All Material Related Party Transactions; and
 - II. RPTs which require approval of the shareholders, as per provisions of the Act and the rules made thereunder.
- 5.3.2 No Related Party shall vote to approve such a resolution, irrespective of whether the entity is a Related Party to the particular transaction or not.
- 5.3.3 The Audit Committee and the Board shall approve and recommend all Material Related Party Transactions, before submitting the same for approval of the shareholders of the Company.

5.4 Exemptions

- 5.4.1 The following RPTs shall be exempt from the requirement of prior approval of the shareholders, under clause 5.3:
- I. transactions between and among the wholly owned subsidiary(ies) and the Company, whose accounts are consolidated with the Company, if such transactions are in the Ordinary Course of Business or executed as Arm's length transaction.
 - II. transactions between and among two or more wholly owned subsidiaries of the Company, whose accounts are consolidated with the Company.

6 Procedure and Criteria for approving Related Party Transactions

- 6.1 The criteria for granting omnibus approval for the RPTs is as follows:
- 6.1.1 The maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a year shall not exceed 60% of annual consolidated turnover of the Company (as per the last audited financial statement);
 - 6.1.2 The maximum value per transaction which can be allowed for RPTs under omnibus route, will be up to 10% of the annual consolidated turnover;
 - 6.1.3 Any transaction with directors, KMPs, promoters, promoter group of the Company, shall additionally require Board approval;
 - 6.1.4 While assessing any proposal, the Audit Committee may review the documents / seek information from Management of the Company, or get clarification or opinion as per clause 6.2 of this Policy;
 - 6.1.5 The transactions undertaken pursuant to omnibus approval, shall be reviewed by the Audit Committee on a quarterly basis;
 - 6.1.6 The following transactions will not be eligible for the omnibus approval and shall be approved by the Approving Authority, on case to case basis:
 - I. Transactions which are not repetitive in nature;
 - II. Transactions involving sale or disposal of an undertaking of the Company;
 - III. Transactions involving sale or disposal or assignment of any significant or critical asset of the Company;
 - IV. Transactions which require shareholder approval, under Clause 5.3 of this Policy; and

V. Transactions which require specific approval of the Board, under the terms of this Policy, the Act and rules made thereunder

- 6.2 For the purpose of procuring approval of the Audit Committee or the Board (as the case may be), the Management shall submit a proposal for approval of the RPTs, containing the following information:
- 6.2.1 Name of the Related Party and nature of relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
 - 6.2.2 Nature, tenure of the transaction and details of the transaction;
 - 6.2.3 Material terms of the transaction including the value;
 - 6.2.4 The percentage of the Company's annual consolidated turnover for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
 - 6.2.5 If the transaction relates to any loan, inter-corporate deposit, advances or investment, made or given by the Company or its subsidiary:
 - I. details of the source of funds in connection with the proposed transaction;
 - II. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments:
 - nature of indebtedness
 - cost of funds; and
 - tenure
 - III. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured (if secured, the nature of security); and
 - IV. the purpose for which the funds will be utilized;
 - 6.2.6 Justification as to why the transaction is in the interest of the Company;
 - 6.2.7 A copy of the valuation or other external party report, if any such report has been relied upon;
 - 6.2.8 Percentage of the counter-party's annual consolidated turnover, that is represented by the value of the proposed transaction (to be provided on a voluntary basis);
 - 6.2.9 For transactions requiring omnibus approval:
 - I. Maximum amount of transaction that can be entered into during the financial year.
 - II. Indicative base price / current contracted price and the formula for variation in the price, if any;
 - 6.2.10 Confirmation /opinion as per clause 6.4 of this Policy; and
 - 6.2.11 Any other information which is relevant or important, or as may be required by the Board/Audit Committee to take decision on the proposed transaction.
- 6.3 In determining whether to approve an RPT, the Committee shall inter-alia consider the following factors, to the extent relevant to the matter:
- 6.3.1 Whether the proposed transaction is in the best interest of the Company.
 - 6.3.2 Whether the terms of the proposed transaction are fair and it is an Arm's length transaction.
 - 6.3.3 Whether the proposed RPT is permissible under the provisions of Applicable Laws.
 - 6.3.4 Whether such contract or arrangement is proposed to be entered into on terms no less favorable to the Company than terms generally available to an unaffiliated third-party under the same or similar circumstances;
 - 6.3.5 Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any.
 - 6.3.6 Whether the proposed transaction includes any potential reputational risk issues.
 - 6.3.7 Whether the RPT would present an improper conflict of interest for any director or KMP of the Company, or a subsidiary of the Company, to extent of the director or KMP's interest in such contract or arrangement.

- 6.4 Audit Committee and /or the Board can rely on following:
- 6.4.1 For approval of a RPT or ratification or any Material Modification in the approved terms of a RPT, the following opinions from anyone of the Management, or an external consultant, or such other officer as may be approved by the Audit Committee, shall be submitted to the Audit Committee or the Board (as the case may be), along with the proposal:
- I. Whether the transaction is in the Ordinary Course of Business;
 - II. Whether the transaction is an Arm's length transaction,

Provided that the person submitting the above referred opinion or certificate should not be interested in the proposed transaction either directly or indirectly.

- 6.4.2 The Management shall, on an annual basis, submit to the Audit Committee, a certificate / opinion procured from a chartered accountant or other consultant for the purpose of transfer pricing or related tax law compliances, confirming that, all the transactions with related parties are Arm's length transactions.

7 Related Party Transactions not previously approved

- 7.1 In the event the Company becomes aware of a RPT that has not been approved under this Policy, the transaction shall be placed as promptly as practicable before the Committee, or the Board, or the Shareholders (*'Approving Authority' for the purpose of this Policy*) as may be required in accordance with this Policy, for review and ratification.
- 7.2 The Approving Authority shall, consider all relevant facts and circumstances relating to such transaction and decide such action as it may consider appropriate, including ratification, revision or termination of the Related Party Transaction. The decision of the Approving Authority, shall be binding under all circumstances.
- 7.3 Audit Committee may, at its discretion, examine the internal controls and the reasons for failure in reporting/ obtaining prior approval of such RPT and direct the management to strengthen the internal controls for dealing with RPTs.

8 Approval for specific RPTs

- 8.1 The following transactions or arrangements, which are specifically dealt under separate provisions of the Act or the SEBI LODR and executed under separate approvals/procedures of the competent authority of the Company (i.e. shareholders, Board, or a Board Committee), shall be deemed to have been approved under this Policy, in compliance with provisions of Applicable Laws:
- 8.1.1 Payment of remuneration to KMPs and other employees
 - 8.1.2 Payment of remuneration, fees, commission, etc. to directors
 - 8.1.3 Share based incentive plans including Stock Options and ESARs to the directors, KMPs and other employees
 - 8.1.4 Any benefits, interest arising to Related Party solely from the ownership of Company shares, which is at par with other shareholders, including dividends, subdivision, consolidation, issuance of securities by way of rights or bonus issue and buyback of securities
 - 8.1.5 Issue of specified securities on a preferential basis, subject to the compliance of the requirements under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.
 - 8.1.6 Financial assistance in the form of investment, loan or guarantee or creating security
 - 8.1.7 Spends towards Corporate Social Responsibility

9 Disclosures & Reporting

- 9.1 This Policy shall be disclosed on the website of the Company and a web link to the policy shall be provided in the Annual Report.
- 9.2 A summary statement of RPTs approved by the Audit Committee shall be submitted to the Audit Committee on quarterly basis for information, review and noting. This statement of RPT shall be accompanied by following confirmations from any one from the Management of the Company or an external consultant, or such other officer as may be approved by the Audit Committee:
- I. Whether the transactions are Arm's length transactions;
 - II. Whether the transactions are in the Ordinary Course of Business; and
Whether the transactions are as per the terms and within the limits approved by the Audit Committee / Board;
- 9.3 The RPTs shall be disclosed to the stock exchanges, on the website of the Company and in other statutory documents, in accordance with Applicable Laws.

10 Review and amendments

- 10.1 The Audit Committee shall review this Policy at least once in three years, or as may be otherwise prescribed by the Audit Committee/ Board from time to time.
- 10.2. Based on the recommendations of the Audit Committee, the Board may review or amend this Policy at any time without any prior intimation and lay down further rules or procedures, to give effect to this Policy.
- 10.3. Notwithstanding anything contained in Clause 10.1, the Company Secretary jointly with either, the Global Chief Financial Officer or the Managing Director & Global Chief Executive Officer, is authorized to amend the Policy to give effect to any changes / amendments notified by Ministry of Corporate Affairs or SEBI w.r.t. transactions with Related Party, from time to time. Such amended policy shall be placed before the Audit Committee and the Board, for noting and ratification.

Foot Notes:

Version 1.0: Original Policy approved by Board on 30th September 2014, effective from 1st October 2014.

Version 2.0: Revised Policy approved by the Board on 22nd May 2018 and effective from 1st June 2018.

Version 3.0: Amended Policy approved by the Board and effective from 5th February, 2020.

Version 4.0: Amended Policy approved by the Board and effective from 15th May, 2020.

Version 5.0: Revised Policy approved by the Board and effective from 7th April, 2022