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 8.0
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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 Laws"** 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

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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 **"Ratification"** means post facto approval of (i) a Related Party Transaction or (ii) subsequent Material Modification in the terms of Related Party Transactions already approved by the Audit Committee or the Board of Directors or any other authority of the Company. A transaction once ratified by the competent authority will be treated as approved from the inception of the transaction.

2.8 "**Related Party**" means a person or an entity defined as related party under the Act or SEBI LODR.

2.9 **"Related Party Transaction or RPT"** means a transaction defined as a related party transaction under the Act or SEBI LODR.

2.10 "**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,

a. at the time of appointment;
b. annually; and
c. 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 Unless otherwise exempted under the Applicable Laws and subject to the provisions of this Policy, all RPTs and any Material Modification to the RPTs already approved by the Audit Committee, 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 RPT (whether entered into individually or taken together with previous transactions, during a financial year) exceeds the statutory limits prescribed in the SEBI LODR.

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 RPTs 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 RPT is being considered.

5.1.8 The Audit Committee at its discretion may submit any RPT for additional approval of the Board of Directors.

5.1.9 The remuneration (including grant of ESOPs and ESARs) and sitting fees paid by the Company and/ or its subsidiary to its director, KMP or Senior Management, except who is part of the promoter or promoter group, shall not require prior approval of the Audit Committee provided the same is not a Material Related Party Transactions under the SEBI LODR.

5.1.10 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 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, or 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 RPT 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 Applicable Laws

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 and subsequent Material Modifications, before submitting the same for approval of the shareholders of the Company.

5.3.4 The validity of omnibus approval granted by the shareholders for material Related Party Transactions shall be in accordance with the SEBI LODR.

5.4 Exemptions

5.4.1 The provisions of Clause 5.1, 5.2, 5.3, and 7 shall not be applicable in the following cases:

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, shall not exceed 10% of the annual consolidated turnover;

6.1.3 Any transaction with directors, KMPs, promoters, promoter group of the Company, shall require additional approval of the Board;

6.1.4 While assessing any proposal, the Audit Committee may review the documents / seek information from Management of the Company, or seek clarification or external opinion;

6.1.5 The transactions undertaken pursuant to omnibus approval, shall be reviewed by the Audit Committee on quarterly basis;

6.1.5 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;

6.2 For the purpose of procuring approval of the Audit Committee or the Board or the Shareholders (as the case may be), the Management shall submit a proposal for approval of the RPTs, containing the information as prescribed under the Act, SEBI LODR, applicable Industry Standards and such other guidelines, circulars or directions issued by SEBI, MCA or any other competent authority, from time to time.

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 subsequent 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 RPT is in the Ordinary Course of Business;
II. Whether the RPT is an Arm's length transaction.

Provided that the person submitting the above referred opinion or certificate should not be interested in the proposed RPT 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 relevant transactions with related parties are arm's length transactions.

6.4.3 In case of variation in the terms of RPT (including variation in price, pricing methodology or overall value) that does not amount to Material Modification, the management is competent to approve such variation. Such modifications in the RPT shall be separately submitted to the Audit Committee for review and noting.

7 Related Party Transactions not previously approved

7.1 The Audit Committee may ratify RPTs and subsequent material modification, within 3 months from the date of transactions or in the immediate next Audit Committee meeting whichever is earlier, subject to the following conditions:

i. the value of the ratified RPT with a related party, whether entered into individually or taken together, during a financial year shall not exceed INR 1 crore;

ii. the transaction is not a Material Related Party Transaction;

iii. a rationale for inability to seek prior approval for the RPT shall be placed before the Audit Committee at the time of seeking ratification;

iv. the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation;

7.2 Failure to seek ratification of the Audit Committee shall render such transactions voidable at the option of the Audit Committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the Company against any loss the Company incurs.

7.3 In case an RPT or Subsequent Material Modification is not eligible for ratification by the Audit Committee, the same may be ratified by the Board subject to the following conditions:

i. rationale for inability to seek prior approval for the RPT shall be placed before the Audit Committee and the Board at the time of seeking ratification

ii. the Audit Committee has not rendered such transaction void and has recommend such RPT for ratification of the Board

iii. The transaction is not material requiring approval of the Shareholder under Para 5.3 of this Policy.

iv. the Board may void such RPT and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the Company against any loss the Company incurs.

v. the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of the SEBI LODR.

7.4 The Approving Authority shall, consider all relevant facts and circumstances relating to such RPT 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.

7.5 The 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 Disclosures & Reporting

8.1 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.

8.2 A summary statement of RPTs executed by the Company shall be submitted to the Audit Committee on quarterly basis for information, review and noting. The 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
III. Whether the transactions are as per the terms and within the limits approved by the Audit Committee / Board.

8.3 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.

9 Review and amendments

9.1 The Audit Committee shall review this Policy from time to time but at least once in three years.

9.2 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.

9.3 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.

9.4 The Compliance Officer in consultation with the Chairman of the Audit Committee will address any ambiguity, questions or clarifications required in the interpretation of any point in this Policy.

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.
Version 6.0: Revised Policy approved by the Board and effective from 25th January, 2023.
Version 7.0: Revised Policy approved by the Board and effective from 28th January, 2025.
Version 8.0: Amended Policy approved by the Board and effective from 23rd January, 2026.