



POLICY ON RELATED PARTY TRANSACTIONS

POLICY ON RELATED PARTY TRANSACTIONS

1) INTRODUCTION, SCOPE AND PURPOSE OF THE POLICY:

Lupin Limited (hereinafter referred to as the 'Company') recognizes that related party transactions can present actual or potential conflict of interests which may be against the best interests of the Company or its shareholders; hence, it transacts business with its related parties on an arm's length.

Pursuant to Clause 49(VII)(C) of the Listing Agreement, the Company is required to formulate a policy on materiality of related party transactions and dealing with related party transactions.

The Company has formulated guidelines for identifying related parties and maintaining proper documentation of all related party transactions in compliance with the provisions of Section 188 of the Companies Act, 2013 read with the Rules made thereunder and Clause 49 of the Listing Agreement (as amended by SEBI Circulars dated April 17, 2014 and September 15, 2014).

The Related Party Transactions Policy ('Policy') was adopted by the Board of Directors at its meeting held on February 3, 2015 based on the recommendations of the Audit Committee. The Policy provides a framework for governance and reporting of related party transactions, including material transactions. Amendments from time to time to the Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee.

2) OBJECTIVE OF THE POLICY:

The Policy sets out the manner of dealing with the transactions between the Company and its related parties in compliance with the applicable laws and regulations as may be amended from time to time and to fix the materiality thresholds for related party transactions.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of related party transactions in the best interests of the Company and its shareholders.

3) DEFINITIONS:

"Board" means the Board of Directors as defined under the Companies Act, 2013.

"Audit Committee" means the Committee of the Board constituted from time to time under Clause 49 (III) of the Listing Agreement and Section 177 of the Companies Act, 2013.

"Control" shall have the same meaning as defined in the SEBI (Substantial Acquisition and Takeover) Regulations, 2011.

"Key Managerial Personnel" shall mean Key Managerial Personnel as defined under Section 2(51) of the Companies Act, 2013.

"Employees" shall mean employees and office-bearers of the Company, including but not limited to Directors.

The terms **"Director, Company Secretary, Chief Financial Officer"**, shall have the same meaning as defined under the Companies Act, 2013.

"Arm's length transaction" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interests.

"Office or Place of Profit" means any office or place:

- i. where such office or place is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- ii. where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

“Ordinary course of business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as enunciated in the Memorandum and the Articles of Association. The Board and the Audit Committee may lay down principles for determining in the ordinary course of business in accordance with statutory requirements and other industry practices and guidelines.

“Material Related Party Transaction” means a transaction with a related party which if the transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or such limits as may be prescribed either in the Companies Act, 2013 or the Listing Agreement, whichever is stricter, from time to time.

“Related Party” means an individual, firm, entity, body corporate or person as defined under Section 2(76) of the Companies Act, 2013 and Clause 49(VII)(B) of the Listing Agreement.

“Related Party Transaction” means any transaction for transfer of resources, services or obligations between the Company and any related party, regardless of whether a price is charged and includes but not limited to -

- 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 the purchase or sale of goods, materials, or property;
- f. Such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company;
- g. Underwriting the subscription of any securities or derivatives thereof, of the Company;
- h. Financing (including loans and equity contributions in cash or kind);
- i. Providing or obtaining guarantees and collaterals; and
- j. Deputation of employees.

A transaction shall be construed to include a single transaction or a group of transactions in contract.

“Relative” means a relative as defined under the Companies Act, 2013 and includes anyone who is related in any of the following manner -

- a. Members of a Hindu undivided family;
- b. Husband or wife;

- c. Father (including step-father);
- d. Mother (including step-mother);
- e. Son (including step-son);
- f. Son's wife;
- g. Daughter;
- h. Daughter's husband;
- i. Brother (including step-brother); or
- j. Sister (including step-sister).

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Agreement, the Securities Contract Regulation Act or any other applicable rules and regulations.

4) MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS:

a) Identification of related parties:

The Company has formulated guidelines for identification and updating the list of related parties.

b) Identification of related party transactions:

The Company has formulated guidelines for identifying related party transactions as also determining whether the same are in the ordinary course of business and at arm's length. The Company may seek professional opinion for this purpose, if necessary.

c) Procedure for approving related party transactions:

- **Approval by the Audit Committee of the Company**

All related party transactions shall be entered into after prior approval of the Audit Committee. Based on the terms and conditions of a transaction, and applicable regulatory requirements, the Audit Committee shall recommend/refer it for the approval of Board of Directors or Shareholders.

The Audit Committee may grant omnibus approval for related party transactions proposed to be entered into by the Company subject to the following conditions:

- i. The Audit Committee shall lay down the criteria for granting omnibus approval in line with the policy on related party transactions and such approval shall be applicable in respect of transactions which are repetitive in nature;
- ii. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- iii. Such omnibus approval shall specify (a) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (b) the indicative base price / current contracted price and the formula for variation in the price, if any and (c) such other conditions as the Audit Committee may deem fit;

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding ₹ 1 crore per transaction;

- iv. The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approval given; and
- v. Such omnibus approvals shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.

The Company shall lay down a globally accepted framework to assess whether transactions with related parties are done on arm's length. Tests shall be conducted on an ongoing basis to determine that the transactions are in "ordinary course of business" and on "arms' length".

Pursuant to proviso to Clause 49(VII), prior approval of the Audit Committee shall not be necessary for transactions between the Company and its wholly owned subsidiary/subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

- **Approval by the Board of Directors of the Company**

Pursuant to the provisions of Section 188 of the Companies Act, 2013, all transactions specified under the said Section which are not in the ordinary course of business and on arm's length, shall be placed before the Board for its approval.

The following transactions with related parties shall also be placed before the Board for its approval:

- 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 on arm's length and decides to refer the same to the Board for approval;
- Transactions which are in the ordinary course of business and on arm's length, but which in the view of the Audit Committee requires approval of the Board; and
- Related party transactions which are to be mandatorily approved by the Board under any law.

- **Approval of the Shareholders of the Company**

All material related party transactions shall be approved by the shareholders through special resolution and all entities falling under the definition of related parties shall abstain from voting on such resolution irrespective of whether the entity is a party to the particular transaction or not.

All transactions specified under Section 188 of the Companies Act, 2013, which (a) are not in the ordinary course of business and on arm's length; and (b) exceed the thresholds laid down in the Companies (Meetings of Board and its Powers) Rules, 2014, shall be approved by the shareholders through special resolution.

Pursuant to proviso to Clause 49(VII), shareholders' approval shall not be necessary for transactions between the Company and its wholly-owned subsidiary/subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

5) **DISCLOSURES:**

- Every Director and KMP shall disclose the parties in which they are deemed to be interested.
- Every Director and KMP shall promptly notify the Secretarial Department of any material transaction or relationship that could reasonably be expected to give rise to a conflict of interest.
- Each related party transaction, which requires approval of the Board, shall be referred to in the Board's report in the prescribed form together with justification for entering into such contract or arrangement. The Company shall also maintain the Register in the prescribed form.
- The Company shall disclose to the Stock Exchanges details of material transactions, if any, with related parties on a quarterly basis together with compliance report on Corporate Governance.
- The Company shall disclose the policy on dealing with related party transactions on its website and a web-link thereto shall be provided in the Annual Report.

6) **RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY:**

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 such action as it deems appropriate.

Where the Audit Committee determines not to ratify a related party transaction that has been commenced without proper approval, it may direct additional actions including, but not limited to, termination of the transaction or seek the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a related party transaction, the Audit Committee has the authority to modify or waive any procedural requirements of this Policy.

7) **WHISTLE BLOWER FOR ANY RELATED PARTY TRANSACTION ENTERED BY COMPANY IN NON-COMPLIANCE OF SUCH POLICY:**

Any officer or employee can avail of the vigil mechanism to report a fraudulent related party transaction.