

Zydus Wellness Limited

Policy on Related Party Transactions

(As approved by the Audit Committee /
Board of Directors at its Meeting held on 9th
February, 2015)

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS**AND****DEALING WITH RELATED PARTY TRANSACTIONS**

I. PREAMBLE:

As per the business model of Zydus Wellness Ltd. (the “Company” or “CHL”), the Company enters into transactions with related parties as defined in this Policy [“Related Party Transactions” or “RPT”] for various purposes, which include, inter alia, purchase and/or sale of goods, fixed assets, availing and/or rendering of services, availing and/or granting of loans, investments, guarantees, granting or taking on lease the properties, reimbursement of expenses and holding an office or place of profit, if any, which are normally in the ordinary course of its business.

The Company recognizes that certain RPTs may have potential conflicts of interest and such transactions should be carried out at fair values and on arm's length basis.

The Board of Directors of the Company has adopted this Policy upon the recommendation of the Audit Committee and the Policy includes the materiality, threshold and the manner of dealing with RPT in compliance with the requirements of section 188 of the Companies Act, 2013 and clause 49 of the Listing Agreement. Any amendment from time to time in the Policy shall be considered by the Board of Directors based on the recommendation of the Audit Committee.

The Policy applies to the transactions between the Company and one or more related parties. It provides framework for governance and reporting of RPT, including material RPTs.

II. OBJECTIVES:

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its related parties in compliance with the applicable laws and regulations as may be amended from time to time.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure the transparency in the conduct of RPTs in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

III. DEFINITIONS:

In this Policy, unless the context otherwise requires:

- (a) "Act" shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars, notifications, orders to remove difficulties or re-enactment thereof.
- (b) "Audit Committee [Committee]" means the committee of the Board constituted from time to time under the provisions of clause 49 of the Listing Agreement and section 177 of the Companies Act, 2013.
- (c) "Arm's length basis" means a transaction between two related parties that are conducted as if they were unrelated, so that there is no conflict of interest. For determination of Arm's length basis, reference is taken from the related provisions of Domestic Transfer Pricing under Income the Tax Act, 1961 for dealing with any related parties in India and International Transfer Pricing guidelines for dealing with any related parties, where such related party is situated outside India.
- (d) "Associate Company", means any other company, in which the Company has a significant influence, but which is not its subsidiary company and includes a joint venture company.

Explanation-For the purposes of this clause, "significant influence" means Control of at least twenty per cent of total share capital or of business decisions under an agreement.

- (e) "Board" means the Board of Directors as defined under the Companies Act, 2013.
- (f) "Control" has the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

"Control" includes the right to appoint majority of the Directors or to control the management or policy decisions, exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner;

Provided that a Director or an officer of a Target Company shall not be considered to be in control over such Target Company, merely by virtue of holding such position.

- (g) "Financial Year" shall mean the period beginning from 1st April of every year to 31st March of the succeeding year.
- (h) "Holding Company", in relation to one or more other companies, means a company of which such companies are subsidiary companies;

- (i) "Key managerial personnel", in relation to a company, means those persons who have the authority and responsibility for planning, directing and controlling the activities of the company, and includes —
- (i) the Chief Executive Officer or the managing director or the manager;
 - (ii) the whole-time director;
 - (iv) the Chief Financial Officer;
 - (v) the Company Secretary and
 - (v) such other officer as may be prescribed by the Act;
- (j) "Material Related Party Transactions under the Act" means a transaction as defined under section 188[1] of the Act with a related party defined under section 2[76] of the said Act, where the aggregate value of transaction[s] to be entered into individually or taken together with previous transaction[s] during a financial year, exceeds the threshold limits as prescribed under the Act and Rules made thereunder from time to time.
- (k) "Material Related Party Transactions under the Listing Agreement means" a transaction covered under clause 49 of the Listing Agreement with a related party as defined thereunder and value of such transaction[s] to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of annual consolidated turnover of the Company as per the last audited financial statements of the Company. Further, transaction with a related party shall be construed to include single transaction or a group of transactions in a contract.
- (l) "Office or Place of Profit", if any, means any office or place-
- i. where such office or place is held by a Director, if the Director while holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as a 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 while holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- in the Company, its subsidiary Company or associate Company at a monthly remuneration exceeding two and half lakh rupees.
- (m) "Policy" means this Policy on materiality of Related Party Transactions and dealing with Related Party Transactions.
- (n) "Relative" shall mean "relative" as defined in section 2[77] of the Act 2013.

- (o) "Related Party [ies]" mean such entity as defined as related party under section 2[76] of the Act or such entity is a related party under the applicable accounting standards.
- (p) "Related Party Transactions" mean any transaction, directly or indirectly, involving any related party which is a transfer of resources, services or obligations between a Company and related party, regardless of whether a price is charged or not.

Words and expressions used and not defined in the Policy shall have the same meanings respectively assigned to them in the Act and / or the Listing Agreement.

IV. IDENTIFICATION OF RELATED PARTIES:

Every Director and KMP will be responsible for providing a declaration in the prescribed format containing the following information to the Company on an annual basis:

- [i] Name of his / her relatives,
- [ii] Partnership firm in which he / she or his / her relative is a partner,
- [iii] Private Companies in which he / she is a member or Director,
- [iv] Public Companies in which he / she is a Director and holds along with his / her relatives more than 2% of paid-up share capital,
- [v] Anybody corporate whose Board of Directors / Managing Director / Manager is accustomed to act in accordance with his / her advice, direction or instructions and
- [vi] Persons on whose advice, directions or instructions he / she is accustomed to act [other than advice, direction or instructions obtained from a person in professional capacity].

Every Director and the Key Managerial Personnel will also be responsible to update the Company Secretary of any changes in the above relationships, directorships, holdings, interests and / or controls immediately on his / her becoming aware of such changes.

The Company Secretary shall be responsible to maintain an updated database of information pertaining to Related Parties reflecting details of –

1. All Directors and Key Managerial Personnel;
2. All individuals, partnerships firms, companies and other persons as declared and updated by Directors and Key Managerial Personnel;
3. Company's holding company, subsidiary companies and associate companies;
4. Subsidiaries of holding company;
5. Directors or Key Managerial Personnel of the holding company or their Relatives;
6. All Zydus Cadila Group entities; and

7. Any other entity which is a Related Party as defined under section 2(76) of the Companies Act, 2013 read with Clause 49 of the Listing Agreement or the relevant Accounting Standard.

The database shall be updated whenever necessary and shall be reviewed at least once a year jointly by the Company Secretary and Chief Financial Officer. The functional / business heads / Chief Financial Officer / Company Secretary / shall have access to the updated database.

Every Director, Key Managerial Personnel, Functional / Business heads / Chief Financial Officer will be responsible for providing prior Notice to the Company Secretary of any potential Related Party Transaction. They will also be responsible for providing additional information about the transaction that the Board / Committee may request, for being placed before the Committee and the Board.

The Company Secretary will inform to the Directors and Key Managerial Personnel, the suggested details and list of records and supporting documents which are required to be provided along with the Notice of the proposed transaction.

V. REVIEW AND APPROVAL OF RPT:

All Related party Transactions shall be subject to the prior approval of the Audit Committee, whether at a meeting or by resolution by circulation or through electronic mode. A member of the committee who has a potential interest in any RPT will not remain present at the meeting or will abstain from discussion and voting on such RPT and shall not be counted in determining the presence of a quorum when such transaction is considered.

VI. CONSIDERATION BY THE COMMITTEE, WHILE APPROVING RPTs:

While considering any transaction, the Committee shall take into account all relevant facts and circumstances, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and any other relevant matters.

Prior to the approval, the Committee shall, inter-alia, consider the following factors to the extent relevant to the transaction:

- a. Whether the terms of the RPTs are in the ordinary course of the Company's business and are on an arm's length basis;
- b. The business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any;
- c. Whether the RPT includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction; and
- d. Whether the RPT would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Key Managerial Personnel or other Related Party, the direct or

indirect nature of the Director's interest, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee deems relevant.

While considering the arm's length nature of the transaction, the Committee shall take into account the facts and circumstances as were applicable at the time of entering into the transaction with the Related Party. The Committee shall take into consideration that subsequent events (i.e. events after the initial transactions have commenced) like evolving business strategies / short term commercial decisions to improve / sustain market share, changing market dynamics, local competitive scenario, economic / regulatory conditions affecting the global / domestic industry, may impact profitability but may not have a bearing on the otherwise arm's length nature of the transaction.

VII. APPROVAL BY CIRCULAR RESOLUTION OF THE COMMITTEE:

In the event the Company Management determines that it is impractical or undesirable to wait until a meeting of the Committee to enter into a RPT, such transaction may be approved by the Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force. Any such approval must be ratified by the Committee at its next scheduled meeting.

VIII. APPROVAL BY THE BOARD:

If the Committee determines that RPT should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the RPT, then the Board shall consider and approve the RPT at a meeting and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

IX. STANDING PRE-APPROVAL / OMNIBUS APPROVAL BY THE COMMITTEE:

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre-approval / omnibus approval. While granting the approval the Audit Committee shall satisfy itself of the need 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 and
- f. Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied / amended. Any proposed variations / amendments to these factors shall require a prior approval of the Committee.

Further, where the need of the RPT cannot be foreseen and all prescribed details are not available, Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1/- Crore (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.

X. APPROVAL OF MATERIAL RPT:

All Material RPT, which are not in an ordinary course of business and / or not at an arm's length basis, shall require prior approval of the shareholders through special resolution and the Related Parties, shall abstain from voting on such resolution.

XI. TRANSACTIONS NOT IN ORDINARY COURSE OF BUSINESS OR NOT AT ARM'S LENGTH:

All RPTs in excess of the limits prescribed under the Act, which are not in the Ordinary Course of business and / or not at Arms' Length shall also require the prior approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

XI. RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED:

In the event the Company becomes aware of a RPT that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Committee/Board deems appropriate under the circumstances.

XII. DISCLOSURE AND REPORTING OF RPT:

Every contract entered into by the Company with the related party shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction. The Company Secretary and the Chief Financial Officer shall be,

responsible for such disclosure. The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.

XIII. SCOPE LIMITATION:

In the event of any conflict between the provisions of this Policy and of the Listing Agreement / Companies Act, 2013 or any other statutory enactments, rules, the provisions of such Listing Agreement / Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.

XIV. DISSEMINATION OF POLICY:

Either this Policy or the important provisions of this Policy shall be disseminated to all functional and operations employees and other concerned persons of the Company and shall be hosted on the intra-net and website of the Company and web link thereto shall be provided in the annual report of the Company.

Sr. No.	Approved by	Date of Meeting
1.	Audit Committee	9 th February, 2015
2.	Board of Directors	9 th February, 2015

SIGNATURE:

Sd/-

H. Dhanrajgir
Chairman
Audit Committee

Sd/-

Sharvil P. Patel
Chairman
Board of Directors