



**POLICY ON RELATED PARTY TRANSACTIONS**



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### **1) Legal Framework and Objective**

Pursuant to Regulation 23(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, (**'Listing Regulations'**), the Company is required to formulate a policy on related party transactions and materiality of related party transactions, duly approved by the Board of Directors and such policy shall be reviewed by the Board of Directors at least once in every three years and updated accordingly.

Lupin Limited (**'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. Accordingly, the Board has formulated this 'Policy on Related Party Transactions' (**'Policy'**) to regulate the related party transactions based on the laws and regulations applicable to the Company. The policy also lays down the governance mechanism for identification of related parties, appropriate approval of related party transactions and disclosure thereof.

### **2) Definitions**

- 2.1 **"Act"** means the Companies Act, 2013 and the rules made thereunder, including any amendments or modifications thereof.
- 2.2 **"Arm's Length"** shall mean a transaction between two related parties that is conducted as if they are unrelated and there is no conflict of interest.
- 2.3 **"Board"** means the Board of Directors of the Company.
- 2.4 **"Key Managerial Personnel"** shall mean Key Managerial Personnel as defined under the Act.
- 2.5 **"Ordinary Course of Business"** – A transaction shall be treated as transaction in the ordinary course of business if it is:
  - i. Covered in the object clause of the Memorandum of Association of the Company;
  - ii. Repetitive / frequent in nature;
  - iii. Normal and otherwise routine in the particular business / industry;
  - iv. In furtherance of business objectives and/or business purposes of the Company.

The above list is indicative and the Company shall assess the transaction basis its type and nature.

2.6 **"Promoter and Promoter Group"** shall have the same meaning as assigned to them under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

2.7 **"Related Party(ies)"** means a 'Related Party' defined in:

- i. Section 2(76) of the Act; and
- ii. Regulation 2(1)(zb) of the Listing Regulations.

2.8 **"Related Party Transaction(s)"** means a transaction involving transfer of resources, services or obligations, regardless of whether a price is charged, between:

- i. the Company and its Related Parties;
- ii. the Company and the Related Parties of its Subsidiary companies;
- iii. the Subsidiary and Related Parties of the Company;
- iv. the Subsidiary and the Related Parties of the Subsidiary company; and
- v. the Company or any of its Subsidiaries on one hand and any other person or entity on the other hand, the purpose and effect of which is to benefit a Related Party of the Company or any of its Subsidiaries.

Provided that the following shall not be a related party transaction:

- i. the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- ii. the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
  - a. payment of dividend;
  - b. subdivision or consolidation of securities;
  - c. issuance of securities by way of a rights issue or a bonus issue; and
  - d. buy-back of securities.
- iii. retail purchases from the Company or its Subsidiary by the directors or Key Managerial Personnel of the Company or its Subsidiary, and relatives of such directors or Key Managerial Personnel, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees, directors, Key Managerial Personnel and relatives of directors or Key Managerial Personnel.

For the purpose of the above, a Related Party Transaction shall include a single transaction or a group of transactions, in a contract, with a Related Party.

2.9 **"Material Related Party Transaction"** means a transaction with a related party, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds:

- i. 5% of the annual consolidated turnover of the Company as per its last audited financial statements for transaction involving payment made with respect to brand usage or royalty; or

- ii. the thresholds specified in Regulation 23 read with Schedule XII of the Listing Regulations, in case of other transactions.

2.10 **“Material Modifications”** means any modification to the previously approved Related Party Transaction which shall result in variation to the pricing, quantity and/or overall transaction value by 20% or more.

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Act or the Listing Regulations shall have the same meaning respectively assigned to them therein.

### **3) Manner of dealing with Related Party Transactions**

#### **a) Identification of Related Parties and Related Party Transactions**

- i. The Company shall seek required disclosures or information from Directors or Key Managerial Personnel, Promoter, Promoter Group or other entities to identify Related Party, in such form or manner as required under the Act and the Listing Regulations. It shall be the responsibility of such persons to provide their interest or concerns including any conflict of interest in other entities/associations, from time to time.
- ii. In case of any change in the disclosure or information already provided, the Directors or Key Managerial Personnel or Promoter or Promoter Group shall promptly inform the change to the Company in accordance with the provisions of the Act and/or Listing Regulations.
- iii. The respective Subsidiary companies of the Company shall collate their list of Related Party and provide the same to the Company on a quarterly basis.
- iv. On the basis of the above, a consolidated list of Related Parties shall be prepared by the Company for identification of Related Party Transactions.

#### **b) Procedure for approving Related Party Transactions**

##### **➤ Approval by the Audit Committee of the Company**

- i. All Related Party Transactions and Material Modifications / subsequent modification thereof, as required from time to time under the Listing Regulations and/or the Act, shall require prior approval of the Audit Committee.
- ii. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its Subsidiary, as applicable, subject to satisfaction of the following conditions:
  - a) Transaction(s) are repetitive in nature;
  - b) Transaction(s) are in the best interest of the Company/Subsidiary;
  - c) There is a proper justification/need for entering into such Related Party Transaction;
  - d) The omnibus approval shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.
  - e) 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 rupees one crore per transaction;

- f) The Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company or its Subsidiary pursuant to each of the omnibus approval given.
- iii. The Company shall provide such information to the Audit Committee for approval of the Related Party Transaction, as prescribed under the Act/Listing Regulations or such other relevant circulars as prescribed by SEBI from time to time;
- iv. Remuneration and sitting fees paid by the Company or its Subsidiary to its Director, Key Managerial Personnel or Senior Management Personnel, except who is part of Promoter or Promoter Group, shall not require approval of the Audit Committee provided that the same is not a Material Related Party Transaction.
- v. a Related Party Transaction above rupees one crore, whether entered into individually or taken together with previous transactions during a financial year, to which the Subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company, if the value of such transaction, exceeds the lower of the following:
  - a. ten percent of the annual standalone turnover of the Subsidiary as per the last audited financial statements of the Subsidiary; or
  - b. the threshold for Material Related Party Transactions as specified in the Schedule XII of the Listing Regulations.
- vi. A Related Party Transaction above rupees one crore, whether entered into individually or taken together with previous transactions during a financial year, to which the Subsidiary of the Company is a party but the Company is not a party and such Subsidiary does not have audited financial statements for a period of at least one year, prior approval of the Audit Committee of the Company shall be obtained if the value of such transaction exceeds the lower of the following:
  - a. ten percent of the aggregate value of paid-up share capital and securities premium account of the Subsidiary; or
  - b. the threshold for Material Related Party Transactions as specified in the Schedule XII of the Listing Regulations.

Provided that the aggregate value of paid-up share capital and securities premium account of the Subsidiary shall be taken as on a date, not older than three months prior to the date of seeking approval of the Audit Committee.

Only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions. Where any Independent Director is concerned or interested in any potential Related Party Transaction, such Director shall not be present at the meeting during discussion when such transaction is being considered.

➤ Approval by the Board of Directors of the Company

The following Related Party Transactions shall be subject to prior approval of the Board of Directors of the Company by way of a resolution at a meeting of the Board:

- i. Transactions which are not in the Ordinary Course of Business or at Arm's Length.
- ii. Transactions which are in the Ordinary Course of Business and on Arm's Length, but which in the opinion of the Audit Committee requires approval of the Board.
- iii. 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.
- iv. Material Related Party Transactions.
- v. Any Material Modification to the Related Party Transaction already approved by the Board.
- vi. Transactions which are mandatorily required to be approved by the Board under the Act and/or the Listing Regulations.

Where any Director is concerned or interested in any potential Related Party Transaction, such Director shall not be present at the meeting during discussion when such transaction is being considered.

➤ Approval of the Shareholders of the Company

Related Party Transactions as stated below shall require prior approval of the Shareholders of the Company:

- i. Material Related Party Transactions and subsequent Material Modification to Related Party Transactions approved by the Shareholders.
- ii. Related Party Transactions which require approval of the Shareholders as per the provisions of the Act.

No Related Party shall vote to approve such Related Party Transactions placed before the Shareholders whether the entity is a Related Party to such transaction or not.

The omnibus approval granted by the shareholders for Material Related Party Transactions in an Annual General Meeting ('AGM') shall be valid till the date of the next AGM held within the timelines prescribed under Section 96 of the Act. In case of omnibus approvals for Material Related Party Transactions, granted by shareholders in General Meetings other than AGM, the validity of such omnibus approvals shall not exceed one year from the date of such approval.

**c) Related Party Transactions exempted from approval**

- i. Transactions entered between the Company and its wholly-owned Subsidiary, other than a transaction referred to in Section 188 of the Act.
- ii. Transactions entered between two wholly-owned Subsidiaries whose accounts are consolidated with the Company.

**d) Ratification of Related Party Transactions**

- i. The Independent Directors of the Audit Committee may ratify Related Party Transactions within three months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, subject to the satisfaction of the following conditions:

- a) the value of the ratified transaction(s) with a Related Party, whether entered into individually or taken together, during a financial year shall not exceed Rs. 1 crore.
- b) the transaction is not a Material Related Party Transaction.
- c) rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee at the time of seeking ratification.
- d) any other condition as specified by the Audit Committee.
- e) the details of such ratification shall be disclosed to the stock exchanges along with the disclosure of Related Party Transactions in terms of the provisions of Regulation 23(9) of the Listing Regulations.

- ii. In case of failure to seek ratification of the Audit Committee shall render the transaction voidable at the option of the Audit Committee.

#### **4) Disclosures**

Appropriate disclosures of Related Party Transactions and/or Material Related Party Transactions shall be made in the Financial Statements, Annual Report, Website of the Company and to the Stock Exchanges and to such other authority, as may be required under the law from time to time.

#### **5) Amendment to this Policy**

The Policy shall be reviewed by the Board of Directors once in every three years.

This Policy is framed based on the provisions of the Act and Listing Regulations. In the event of any inconsistency between the provisions of this Policy and of the Act or the Listing Regulations or any other statutory enactments, the provisions of such Act or Listing Regulations or statutory enactments shall prevail over this Policy. Any subsequent amendment / modification in the Act or the Listing Regulations and/or other applicable laws in this regard shall mutatis mutandis apply to /prevail upon this Policy.

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**Document History**

<b>Approved by</b>	<b>Board of Directors</b>
Version 1.0	February 03, 2015
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