

# Zydus Wellness Limited

## Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions

(As approved by the Audit Committee / Board of  
Directors on March 30, 2022 and March 31, 2022  
respectively)

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

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**I. PREAMBLE:**

As per the nature of business and its requirement Zydus Wellness Limited (the “**Company**” or “**ZWL**”), enters into transactions with related parties as defined in this Policy (“**Related Party Transactions**” or “**RPTs**”) for various purposes as provided under section 188(1) of the Companies Act, 2013, (“the **Act**”) and regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the **Listing Regulations**”) as may be amended, from time to time

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

The Board of Directors (“**Board**”) of the Company has adopted Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions (“**Policy**”) based on the recommendation of the Audit Committee and the Policy includes the materiality, threshold and the manner of dealing with RPTs in compliance with the requirements the Act and the Listing Regulations... Any amendment from time to time in the Policy shall be considered by the Board based on the recommendation of the Audit Committee.

The Policy applies to the transactions between the Company and one or more related parties and / or any subsequent material modification(s) to the RPTs. The Policy provides the framework and mechanism for governance, reporting and dealing with RPTs, including material RPTs.

The Policy shall be subject to periodic review and updated by the Board at an interval not exceeding three years from the date of its previous review/approval.

**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-enactments thereof.
- (b) "**Audit Committee (Committee)**" means the committee of the Board constituted from time to time under the provisions of regulation 18 of the Listing Regulations and section 177 of the Act.
- (c) "**Arm's length transaction**" 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 the Income 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.

The Company would apply its judgment to conclude whether a transaction can be considered to be on an arm's length basis. The following are some of the factors (but not limited to) that can be considered, to be helpful in concluding whether a transaction is on an arm's length basis:

- The transaction is as per the prevailing price list / pricing policy / market price / at the same price (or margin) at which entered into with independent third parties,
  - The transaction is in line with third party quotations / bids,
  - The transaction is at a price / rate in line with Government guidelines / industry body.
- (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 of the Company.

- (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 1<sup>st</sup> April of every year to 31<sup>st</sup> 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**" ("**KMP**"), 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;

(iii) the Chief Financial Officer;

(iv) the Company Secretary;

(v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and

(vi) such other officer as may be prescribed by the Act;

- (j) "**Material Modification(s)**" shall mean and include any modification(s) to an existing related party transaction in excess of 15% of the existing limit as approved by the Audit Committee / Board / Shareholders, as the case may be, and would require prior approval of the Committee.

- (k) "**Material Related Party Transactions**": means a transaction as defined under section 188(1) of the Act and regulation 2(1)(zc) of the Listing Regulations with a Related Party defined under section 2(76) of the Act and regulation 2(1)(zb) of the Listing Regulations, where the aggregate value of transaction(s) to be

entered into individually or taken together with previous transaction(s) during a financial year, exceeds Rs. 1,000,00,00,000/- (Rupees One Thousand Crore only) or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower or such other threshold limits as may be prescribed under the Listing Regulations, the Act and Rules made thereunder from time to time.

Notwithstanding the above, a transaction involving payments made to a Related Party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the 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) "**Ordinary course of business**" means the usual transactions, customs and practices undertaken by the Company to conduct its regular business operations and activities, in furtherance of the Company's business objectives, and includes all such activities, which the Company can undertake as provided in the Memorandum and the Articles of Association. The Board and the Committee may lay down principles for determining the ordinary course of business in accordance with statutory requirements and other industry practices and guidelines.
- (n) "**Policy**" means this Policy on materiality of Related Party Transactions and dealing with Related Party Transactions.
- (o) "**Relative**" shall mean "relative" as defined in section 2(77) of the Act.

- (p) "**Related Party (ies)**" mean such individual or entity as defined as related party under section 2(76) of the Act read with rules framed thereunder and regulation 2(1)(zb) of the Listing Regulations.
- (p) "**Related Party Transactions**" ("**RPTs**") mean any transactions as provided under clause (a) to (g) of sub-section (1) of section 188 of the Act and corresponding rules thereto and as defined in clause (zc) of sub-regulation (1) of regulation 2 of the Listing Regulations, and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.

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 Regulations.

#### **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 - or his / her relative 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) Any body corporate whose Board of Directors / Managing Director 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 KMP 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 KMP;
2. All individuals, partnerships firms, companies and other persons as declared and updated by Directors and KMP;

3. Company's holding company, subsidiary companies and associate companies;
4. Subsidiaries of holding company;
5. Directors and KMP of the holding company or their Relatives;
6. All Zydus Wellness Group entities; and
7. Any other entity which is a Related Party as defined under section 2(76) of the Act read with 2(1)(zb) of the Listing Regulations.

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

Every Director, KMP, Functional / Business Heads / Chief Financial Officer will be responsible for providing prior notice to the Company Secretary of any potential RPTs. 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 KMP, 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 RPTs, INCLUDING MATERIAL RPTs:**

### **A. AUDIT COMMITTEE:**

All RPTs and subsequent material modification(s) to RPTs shall be subject to the prior approval of the Committee, whether at a meeting or by way of a resolution by circulation or through electronic mode.

A member of the Committee who has a potential interest in any RPTs or subsequent material modification(s) to RPTs 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.

RPTs where Company's subsidiary is a party but Company is not a party, shall require prior approval of the Committee, if the value of such transaction, whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the consolidated turnover of the Company, as per the last audited financial statements of the Company.

With effect from April 1, 2023, RPTs to which the Company's subsidiary is a party but the Company is not a party, shall require prior approval of the Committee, if the value

of such transaction, whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual standalone turnover of such subsidiary, as per the last audited financial statements of such subsidiary.

Provided that the prior approval of the Committee of the Company shall not be required for RPTs to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of the Listing Regulations are applicable to such listed subsidiary.

Explanation: For RPTs of unlisted subsidiary(ies) of the Company as referred above, prior approval of Committee of such listed subsidiary shall suffice.

All RPTs and / or subsequent material modification(s) to RPTs shall be approved only by the Independent Directors who are the members of the Committee.

#### **B. APPROVAL BY THE BOARD:**

If the Committee determines that RPTs 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 RPTs, then the Board shall consider and approve the RPTs 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.

Approval of Board will be required, at a meeting, for any transaction with Related Parties, which are either not in ordinary course of business or not on an arm's length basis.

#### **C. SHAREHOLDERS' APPROVAL:**

All Material RPTs, and subsequent material modifications as defined by the Committee shall require prior approval of the shareholders through resolution and all related parties shall not vote to approve such resolution, irrespective of whether the entity is a party to the particular RPT or not.

Prior approval of the shareholders of the Company shall not be required for RPTs to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of the Listing Regulations are applicable to such listed subsidiary.

Explanation: For RPTs of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

However, any transactions, including material RPTs, between the Company and its wholly owned subsidiary companies, or amongst the wholly owned subsidiary companies, whose accounts are consolidated with the Company and placed before the shareholders, at a general meeting for approval, shall not require approval of shareholders.



**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 KMP of the Company, taking into account the size of the transaction, the overall financial position of the Director, KMP or other Related Party, the direct or indirect nature of the Director's interest, KMP'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.

The following information shall be provided in relation to proposed RPTs for review and approval of the Committee:

- a. Type, material terms and particulars of the proposed transaction;
- b. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction (particular tenure shall be specified);

- d. Value of the proposed transaction;
- e. The percentage of the listed entity'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);
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity 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 by the ultimate beneficiary of such funds pursuant to the RPT.
- g. Justification as to why the RPT is in the interest of the listed entity;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- j. Any other information that may be relevant

The Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

#### **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 or to materially modify the RPT, such transaction / material modification may be approved by the Committee by way of a 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. 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 such 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 Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the 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 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.

#### **IX. TRANSACTIONS NOT IN ORDINARY COURSE OF BUSINESS OR NOT ON AN ARM'S LENGTH BASIS:**

All RPTs which are not in the Ordinary Course of business and / or not on an Arms' Length basis shall also require the prior approval of the shareholders through resolution and all the Related Parties, shall abstain from voting in favour of such resolution, whether the related party is a party to the particular contract or not.

**X. 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.

**XI. DISCLOSURE AND REPORTING OF RPTs:**

Every (i) material contract or (ii) contract which is not in ordinary course of business and / or not on an arm's length basis, 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 Act.

Details of all material RPTs shall be disclosed to the stock exchanges on a quarterly basis along with compliance report on corporate governance.

The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of RPTs on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchange(s) and publish the same on its website.

Further, with effect from April 1, 2023 the disclosures of RPTs on a consolidated basis shall be submitted on the date of publication of half yearly standalone and consolidated financial results of the Company.

**XII. SCOPE LIMITATION:**

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

**XIII. 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.

**XIV. REVIEW OF POLICY:**

The Company Secretary and in his absence the Chief Financial Officer shall amend this Policy consequent to changes in applicable laws and regulations. Any such change will be placed before the next Committee and Board meeting.

Sr. No.	Approved by	Date of Meeting
1.	Audit Committee	November 5, 2014 / February 6, 2019 / October 28, 2021, March 30, 2022
2.	Board of Directors	November 6, 2014 / February 6, 2019 / October 28, 2021, March 31, 2022

**SIGNATURE**

Sd/-

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**Chairman  
Audit Committee**

Sd/-

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**Chairman  
Board of Directors**