Policy on Related Party Transactions

AstraZeneca Pharma India Limited

1. Background

1.1. Related Party Transactions

The Company recognizes that Related Party Transactions (RPT) as defined in SEBI (LODR) Regulations, 2015 and in section 2(76) of the Companies Act, 2013 ("the Act") read with Section 188 may give rise to an actual or potential conflict of interest thereby raising the question whether or not such transactions are in the best interests of the Company and its members as a whole.

The Audit Committee of the Board of Directors of the Company ("the Committee") is required by Section 177(4) of the Act to approve all transactions of the Company with related parties ("RPT's").

1.2. Requirement of Formulating a Policy

Part I of this Policy on dealing with RPT's and determining their materiality is formulated in compliance with SEBI (LODR) Regulations, 2015. It is intended to ensure timely identification of an RPT, its salient terms and provisions, approval process, disclosure and reporting thereof to ensure transparency in the conduct of RPT's, so that there is no conflict of interest.

The Board of Directors of the Company ("the Board') has adopted this Policy with respect to RPT's on the recommendation of the Committee. The Committee is empowered to review and recommend amendments to this Policy as may be considered necessary from time to time. All amendments to this Policy as may be recommended by the Committee would be subject to the Board's approval.

Part II deals with RPT's as envisaged and covered by the applicable provisions of the Act and the applicable Rules framed thereunder.

2. Part I

- **The then** Clause 49 of the Listing Agreement dealt and the SEBI (LODR) Regulations, 2015 currently deals with the provisions relating to Corporate Governance required to be complied with by the Company.

- Apart from being required to comply with the provisions of SEBI (LODR) Regulations, 2015 as revised, the Company is also obliged to simultaneously comply with the applicable provisions relating to RPTs contained in the Act read with the applicable Rules made thereunder. These are dealt in **Part II** of this Policy

2.1. What is a RPT?

As per Regulation 2(1)(zc) of the SEBI (LODR) Regulations, *related party transaction* means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.

Section 2(76) of the Act defines a 'related party', with reference to the Company, to mean:

i. a director or his relative
ii. a key managerial personnel or his relative;
iii. a firm, in which a director, manager or his relative is his partner;
iv. a private company in which a director or manager or his relative is a member or director;
v. a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
vi. any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
vii. any person on whose advice, directions or instructions a director or manager is accustomed to act;
Provided that nothing in (vi) and (vii) above shall apply to the advice, directions or instructions given in a professional capacity;
viii. any body corporate which is:
(A) a holding, subsidiary or an associate company of such company; or
(B) a subsidiary of a holding company to which it is also a subsidiary;
(C) an investing company or the venturer of the company;
Explanation - For the purpose of this clause, "the investing company or the venturer of a company" means a body corporate whose investment in the

company would result in the company becoming an associate company of the body corporate.]

ix. such other person as may be prescribed under the Act or the Rules made thereunder**.**

x. A director other than an independent director or key managerial personnel of the Company or his relative with reference to the Company, shall be deemed to be a related party**.**

xi. It shall further include

(a) Any person or entity forming part of the promoter or promoter group of the Company;

(b) Any person or any entity holding equity shares of the Company of twenty percent or more effective April 1, 2022 and ten percent or more effective April 1, 2023 directly or through beneficial interest basis as provided under section 89 of the Companies Act, 2013 at any time during the immediate preceding financial year;

As per Indian Accounting Standard- 24 ("Ind-AS24") "related parties" are:-

1. A person or a close member of that person's family is related to a reporting entity if that person:
   (i) has control or joint control over the reporting entity;
   (ii) has significant influence over the reporting entity; or
   (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

2. An entity is related to a reporting entity if any of the following conditions applies:
   (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   (iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Further, as per the Ind-AS 24:

- 'Control' is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities
- 'Joint control' is the contractually agreed sharing of control over an economic activity
- 'Significant influence' is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.
- A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

2.2. Material Related Party Transactions

- A transaction between the Company and a related party is to be considered as **material** if the transaction to be entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual consolidated turnover of the Company as per its last audited financial statements or one thousand crore rupees, whichever is lower.

- All RPTs, whether material or not, and subsequent Material Modifications thereto, will require the prior approval of the Committee of the Board.

- 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 consolidated audited financial statements of the Company.

- The members of the Committee, who are Independent Directors, may ratify RPTs within three months from the date of the transaction or in the immediate next meeting of the Committee, whichever is earlier, subject to the following conditions:
  (i) 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 rupees one crore.
  (ii) the transaction is not material
  (iii) rationale for inability to seek prior approval for the transaction shall be placed before the Committee at the time of seeking ratification;
  (iv) the details of ratification shall be disclosed to stock exchanges in terms of the provisions of SEBI (LODR)
  (v) any other condition as specified by the Committee:

The Committee has the option to render the transaction as voidable in case of failure to seek ratification. Further if such transaction is with a related party to any director of the Company, or such transaction is authorised by any other director, the director(s) concerned should indemnify the Company against any loss incurred by it.

2.3. Omnibus approval

In order to obviate difficulties that may be encountered by the Company in obtaining prior approval of the Committee to RPTs that are needed to be entered into by it from time to time, owing, inter alia, to the repetitive nature of transactions to be entered into or when the need for RPT’s cannot be foreseen in advance, the Committee has been empowered under SEBI (LODR) Regulations, 2015 to grant Omnibus Approval for such RPTs, subject to the following conditions:

a) the criteria for granting such Omnibus Approval is laid down by the Committee in line with the Policy in Part I and such approval shall be applicable in respect of transactions which are repetitive in nature.

b) The Committee has satisfied itself as to the need for such Omnibus Approval and that grant of such approval is in the interest of the Company.

c) The omnibus approval should specify the below information for review and approval of the proposed RPT:

(i) Type, material terms and particulars of the proposed transaction
(ii) Name of the related party and its relationship with the Company, including nature of its concern or interest (financial or otherwise)
(iii) Tenure of the proposed transaction (particular tenure shall be specified)
(iv) Value of the proposed transaction
(v) The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction.
(vi) If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company:
- details of the source of funds in connection with the proposed transaction;
- where any financial indebtedness is incurred to make or give loans, intercorporate deposits, advances or investments,
  - nature of indebtedness;
  - cost of funds; and
  - tenure;
- applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
- the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT

(vii) Justification as to why the RPT is in the interest of the Company
(viii) A copy of the valuation or other external party report, if any such report has been relied upon
(ix) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis
(x) Any other information that may be relevant

However where the need for an RPT cannot be foreseen and the above details are not available, the Committee is empowered under SEBI (LODR) Regulations, 2015 to grant Omnibus Approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

d) The Committee is required to review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each Omnibus Approval given.

e) All such Omnibus Approvals shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

2.4. Criteria to be considered by Committee for granting approval to a Related Party Transaction

i. The rationale and necessity for entering into such an RPT.

ii. Whether any compelling business or commercial reasons or justification exist for the Company to enter into the RPT and the availability, if any, of similar transactions between the Company and unrelated counterparties or between two unrelated parties about the same time.

iii. Whether the terms and provisions of the RPT, viewed in their totality, are fair and the transaction is at arm's length, that is to say, whether it is similar to a transaction conducted as if between two unrelated parties, so that there is no conflict of interest.

iv. Whether any special or unusual benefits, rights or privileges are extended or given to the related party by the Company which would normally not feature in a similar transaction, were it to be entered into by the Company with an unrelated party or between two unrelated parties.

v. Whether the consideration/compensation to be paid to the related party under or pursuant to the transaction is, or can be regarded as being, commensurate with the obligations undertaken by such related party, and/or the scope of services provided by it thereunder.

vi. Whether the transaction is unreasonably or unfairly weighted in favour of the related party vis-a-vis of price, terms of credit and payment, interest payable or in any other manner or gives rise, or is likely to give rise, to any conflict of interest.

vii. Whether the RPT will or is likely to, affect the independence of judgment of any of the independent Directors on the Board.

viii. Whether the RPT is likely to give rise in any manner to a conflict of interest and duty for any Director or Key Managerial Personnel of the Company.

ix. Whether the RPT would or is likely to give rise to any potential reputational risk for the Company and/or its Directors.

x. Any other aspects or factors that may be relevant or material in the opinion of the Committee.

2.5 All material RPTs, (whether or not they are entered into by the Company in the ordinary course of its business and are also arms' length transaction) and subsequent Material Modification thereto shall also require the approval of the shareholders of the Company in general meeting by a Ordinary resolution, and the related parties shall abstain from voting on such resolution irrespective of whether they are a party to the particular transaction or not.

2.6 The **Explanatory Statement** annexed to the Notice issued by the Company convening the general meeting for seeking approval of its Shareholders to a **material RPT** as aforesaid shall contain the following details, namely:

- A summary of the information provided to the audit committee as specified in point 2.3 (c) above;
- Justification for why the proposed transaction is in the interest of Company;
- Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company, the details specified under point 2.3(c)(vi) above;
- A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- Any other information that may be relevant.

- The aforesaid requirement that all RPTs shall require prior approval of the Committee and that **all material RPTs** shall also require the approval of the shareholders of the Company in general meeting by a resolution, will however **NOT** apply to transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders for approval at the general meeting.

3. PART II

i. The Committee of the Board of Directors of a public limited company is required by Section 177(4) of the Act to approve transactions of the Company with related parties and any subsequent modifications thereto.

ii. The criteria to be considered by the Committee for granting approval to an RPT would be the same as set out in Part I of the Policy.

iii. A ‘related party” has been defined in section 2(76) of the Act. The definition of related party in section 2(76) has been set out in extenso in Part I of the policy.

iv. Some of the other key terms used in the definition of ‘related party’ in section 2(76) are defined for convenient reference in the section “Key definitions”

v. Once the counterparty to a proposed contract or arrangement that the Company proposes to enter into is a related party as defined in Section 2(76) of the Act, it becomes necessary to ascertain if it is an RPT covered by Section 188(1) (a) to (g) of the Act read with Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014 (“the Rules”). If it is so, then consent of the Board given by a resolution at a meeting of the Board (and not by circulation) would require to be obtained by the Company prior to entering into it. This would be in addition to the prior approval of the Committee to the proposed RPT required by the SEBI (LODR) Regulations, 2015.

vi. Section 188(1) of the Act only applies to any contract or arrangement between the Company and a related party which is with respect to a transaction listed in items (a) to (g) thereof, unless where such transaction is **(i)** entered into by the Company in its ordinary course of business and **(ii)** the transaction is an arm’s length transaction, that is to say; a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. (Refer Explanation (b) to Section 188(1).

vii. However, if the above mentioned twin requirements are not satisfied, then, the prior consent of the Board by a resolution passed at a meeting of the Board (and not by resolution by circulation) would be necessary before the contract or arrangement is at all entered into. Also, the prior approval of the shareholders of the Company by a resolution would be necessary where the contract or arrangement to be entered into by the Company with a related party is with respect to a contract or arrangement covered by items (a) to (g) of Section 188(1) read with Rule 15(3)(ii).

viii. On the other hand, if the twin requirements at (a) and (b) above are satisfied, then the entire section 188(1) would not apply to the contract or arrangement between the Company and the related party, even though it is an RPT covered under items (a) to (g) thereof.

ix. Consequently, neither the consent of the Board as envisaged in sub-section(1) of Section 188 nor the prior approval of the shareholders of the Company by a resolution as envisaged by the first proviso in sub-section(1) of section 188 read with Rule 15(3)(ii) of the Rules would be necessary.

x. Where the Company is required to obtain the prior consent of its Board of Directors by a resolution at a meeting of the Board, pursuant to section 188(1) of the Act read with Rule 15(3) of the Rules, the Agenda of the Board meeting at which the resolution granting consent is proposed to be moved shall disclose the following, namely –
  a. the name of the related party and nature of relationship;
  b. the nature, duration of the contract and particulars of the contract or arrangement;
  c. the material terms of the contract or arrangement including the value, if any;
  d. any advance paid or received for the contract or arrangement, if any;
  e. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
  f. whether all factors relevant to the contract have even considered, if not, the details of factors not considered with the rationale for not considering those factors; and
  g. any other information relevant or important for the Board to take a decision on the proposed transaction.

xi. Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

3.1. Meaning of ‘ordinary course of business’

When a transaction entered into by the Company with a related party can be said to be in its ordinary course of business for purposes of Section 188(1)?

Black’s Law Dictionary describes “ordinary course of business” as follows:

- The transaction of business according to the usages and customs of the commercial world generally or of the particular community or (in some cases) of the particular individual whose acts are under consideration.

- The normal routine in managing a trade or business.

- Whether a particular act done is in the course of business or not is really a question of fact and that must be determined according to the evidence led and the circumstances of the case. It must be found as to whether the particular act has any connection with the normal business that the company is carrying on and whether it is so related to the business of the company that it can be considered to be performed in the ordinary course of the business of that company.

- In deciding whether a particular transaction is one, which took place in the ordinary course of business or not, it has been held in several decisions that a stray or casual transaction by a person not possessing the license would not amount to a transaction done in the ordinary course of business. Stray or casual act cannot be called an act done in the ordinary course of business.

- To regard an activity as business there must be a course of dealings, either actually continued or contemplated to be continued with a profit motive, and not for sport or pleasure. Whether a person carries on business in a particular commodity must depend upon the volume, frequency, continuity and regularity of transactions of purchase and sale in a class of goods and the transactions must ordinarily be entered into with a profit motive.

- The expression “usual course of business” is also found in certain sections of some Acts. These expressions are not statutorily defined in any one of these Acts, but there can be no doubt that they all indicate and imply uniformity of dealings, a certain degree of routine in business practice.

- the question to be considered is whether the contract was entered into by the respondent in the usual course of his business. That the respondent has been carrying on business in the production and supply of limestone is amply established. The record shows that he had been supplying limestone and dolomite to the from about the year 1920 and that the contracts of 1935 were entered into only in the carrying on of that business. The contract was made in settlement of the rights under those contracts. It is to be noted that under the agreement under which he received a sum of Rs.2,50,000, he also secured a contract for the supply of limestone for a period of 12 years. On these facts, it is impossible to come to any conclusion other than that the contract in question was entered into by the respondent in the ordinary course of his business.

- The expression "statement made in the ordinary course of business" means a statement made during the course not of any particular transaction of an exceptional kind, but of business or professional employment in which the deceased was ordinarily and habitually engaged.

3.2. Arm's length transaction for purposes of Section 188(1):

- Arm's- length as per Section 188 (1) of the Companies Act, 2013 means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest, and the same should be considered as guidance as to whether a transaction was entered into on an arm's length basis or not.

4. Thresholds for material RPT

Sl.no	Nature of Transactions	Materiality as per Companies Act, 2013 (if Section 188 (1) is attracted +)	Materiality as per SEBI*
1	Sale, purchase or supply of any goods or materials directly or through appointment of agents	Exceeding 10% of Turnover as per the last audited financial statements of the company	Exceeding 10% of the annual consolidated turnover as per the last audited financial statements of the company
2	Buying, selling or disposing of property of any kind directly or through appointment of agents	Exceeding 10% of net worth as per the last audited financial statements of the company	Exceeding 10% of the annual consolidated turnover as per the last audited financial statements of the company
3	Leasing of any kind of property	Exceeding 10% of turnover as per the last audited financial statements of the company	Exceeding 10% of the annual consolidated turnover as per the last audited financial statements of the company

Sl.no	Nature of Transactions	Materiality as per Companies Act, 2013 (if Section 188 (1) is attracted +)	Materiality as per SEBI*
4	Availing or rendering of any services directly or through appointment of agents	Exceeding 10% of Turnover as per the last audited financial statements of the company	Exceeding 10% of the annual consolidated turnover as per the last audited financial statements of the company
5	Appointment to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration exceeding Rs.250,000	Exceeding 10% of the annual consolidated turnover as per the last audited financial statements of the company
6	Remuneration for underwriting the subscription of any securities in or derivatives thereof	Exceeding 1% of net worth	Exceeding 10% of the annual consolidated turnover as per the last audited financial statements of the company

+ Section 188 (1) of the Act will be attracted only if; i) the transaction entered by the Company is not in the ordinary course of business and ii) the transaction is not an arm's length transaction

*** As per SEBI (LODR) Regulations, 2015, a transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover as per the last audited financial statements of the company or one thousand crore rupees, whichever is lower.**

5. Approvals required for Related Party Transactions

Nature of Transactions	Approvals as per SEBI Equity Listing Agreement		Approvals as per The Companies Act, 2013	
	Approval of Committee (Prior)	Approval of Shareholders*	Approval of Board of Directors (Prior)	Approval of Shareholders* (Prior)
Transaction in the Ordinary course of business and Arm's Length Transaction				
Below Threshold limits	✔	✘	✘	✘
Above Threshold limits	✔	✔	✘	✘
Transaction In the Ordinary course of business and not at Arm's Length Transaction				
Below Threshold limits	✔	✘	✔	✘

Above Threshold limits	✔	✔	✔	✔
Transaction Not in the Ordinary course of business and at Arm's Length Transaction				
Below Threshold limits	✔	✖	✔	✖
Above Threshold limits	✔	✔	✔	✔
Transaction Not in the Ordinary course of business and not at Arm's Length Transaction				
Below Threshold limits	✔	✖	✔	✖
Above Threshold limits	✔	✔	✔	✔

* As per applicable threshold limits for RPT as indicated in point # 4

6. Disclosures

- Every Director will disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which will include the shareholding, at the first meeting of the Board in which he participates as a Director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, in form MBP-1.

- The Company will maintain a register of all contracts and arrangements with Related Parties in form MBP-4 in the manner prescribed in the Companies Act and the rules thereunder.

- The particulars of contracts or arrangement with Related Parties will be disclosed in the Directors' report in form AOC-2, in the manner prescribed in the Companies Act and the rules thereunder.

7. Definitions

i. Relative – section 2(77)

Relative has been defined to mean anyone who is related to another, if:

- they are members of a Hindu Undivided Family;
- they are husband and wife
- father including stepfather
- mother including stepmother
- son including stepson
- son's wife including stepson's wife
- daughter including stepdaughter

- daughter's husband including stepdaughter's husband
- brother including stepbrother
- sister including stepsister

ii. Key Managerial Personnel – section 2(51)

In relation to a Company, means -

- the Chief Executive Officer or the managing director or the manager;
- the company secretary;
- the whole-time directory;
- the Chief Financial Officer; and
- 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
- such other officer as may be prescribed;

iii. Manager – section 2(53)

An individual who, subject to the superintendence, control and direction of the Board of Directors, has the management of the whole, or substantially the whole, of the affairs of a company, and includes a director or any other person occupying the position of a manager, by whatever name called, whether under a contract of service or not.

iv. "Material modification"

Material modification means any subsequent change to an existing Related Party Transaction, having an upward variance of 20% of the existing limit wherever value thresholds can be determined and for non-value based variations, it shall be subject to management's assessment of materiality on a case-to-case basis.

v. Holding Company – section 2(46)

In relation to one or more other companies, means a company of which such companies are subsidiary companies.

Explanation - For the purposes of this clause, the expression "company" includes any body corporate.

v. Subsidiary Company or Subsidiary – section 2(87)

In relation to any other company, that is to say, the Holding company, means a company in which the holding company;

(i) controls the composition of the Board of Directors; or

(ii) exercises or controls more than one-half of the Total Share Capital

- either at its own; or
- together with one or more of its subsidiary companies

Explanation:

a. a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;

b. the composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company, by exercise of some power exercisable by it at its discretion, can appoint or remove all or a majority of the directors;

c. the expression "company" includes any body corporate;

d. "layer" in relation to a holding company means its subsidiary or subsidiaries;

vi. Associate Company – section 2(6)

In relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation: For the purposes of this clause, "significant influence" means control of at least 20% of the total share capital, or of business decisions under an agreement.

vii. Control – section 2(27)

"Control" shall include 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.

Policy amended on February 11, 2025