

GlaxoSmithKline Consumer Healthcare Limited

Policy on Dividend Distribution For Interim, Special and Final Dividend

Issued by:

Finance Department, GlaxoSmithKline Consumer Healthcare Limited

Dated: 07th November 2016

The Equity shares of GlaxoSmithKline Consumer Healthcare Limited (the "Company") are listed at Bombay Stock Exchange Limited ("BSE Ltd.") and National Stock Exchange of India Limited ("NSE Ltd.").

As per the Regulation 43 A of the Securities and Exchange Board of India ("SEBI"), the Company is required to formulate a policy with regard to distribution of dividend to its Shareholders and/or retaining of its profits ("Dividend Distribution Policy") and shall disclose the same on their website and in Annual Report.

The Board of Directors (the "Board") has formulated the Dividend Distribution Policy of the Company which reflects the intent of the Company to reward its shareholders by sharing a portion of its profits after retaining sufficient funds for growth of the Company. The Company shall pursue this Policy to pay dividend to the shareholders of the Company.

EFFECTIVE DATE

The Policy shall become effective from the date of its adoption by the Board i.e. 7th November, 2016.

POLICY OF THE COMPANY AS REGARDS DIVIDEND

The general considerations of the Company for taking decisions with regard to dividend payout or retention of profits shall be as following:

A) Circumstances under which the shareholders may or may not expect dividend:

1. **Extent of realized profits as a part of the IND AS profits of the Company:** The extent of realized profits out of its profits calculated as per IND AS, affects the Board's decision of determination of dividend for a particular year.
2. **Inadequacy of profits:** If during any financial year, the Board determines that the profits of the Company are inadequate, the Board may decide not to declare dividends for that financial year.
3. **Operating cash flow of the Company:** If the Company cannot generate adequate operating cash flow, it may need to rely on outside funding to meet its financial obligations and sometimes to run the day-to-day operations. The Board will consider the same before its decision whether to declare dividend or retain its profits.
4. **Obligations to creditors:** The Company should be able to repay its debt obligations without much difficulty over a reasonable period of time. Considering the volume of such obligations and time period of repayment, the decision of dividend declaration shall be taken.
5. **Magnitude of earnings of the Company:** Since dividend is directly linked with the availability of earning, the magnitude of earnings will significantly impact the dividend declaration decisions of the Company.

B) Financial Parameters that shall be considered while declaring dividend:

1. **Company Performance:** Subject to the considerations as provided in the Policy, the Board shall determine the dividend payout in a particular year after taking into

consideration the performance of the Company, the advice of management including the CFO, and other relevant factors.

2. **Statutory requirements:** The Company shall observe the relevant statutory requirements including those with respect to mandatory transfer of a certain portion of profits to any specific reserve such as Capital Redemption Reserve etc. as provided in the Companies Act, 2013, which may be applicable to the Company at the time of taking decision with regard to dividend declaration or retention of profit.
3. **Proposals for capital expenditures:** The Board may also take into consideration the need for replacement of capital assets, expansion and modernization, including any major capital expenditure proposals. The Board may also take into consideration provision for unforeseen events and contingencies with financial implications.
4. **Working capital management in the Company:** The current working capital management system within the Company also impacts the decision of dividend declaration.
5. **Cost of borrowings:** The Board will analyze the requirement of necessary funds considering the long term or short term projects proposed to be undertaken by the Company and the viability of the options in terms of cost of raising necessary funds from outsiders such as bankers or lending institutions.

C) Internal And External factors that shall be considered while declaring dividend:

1. **Product/ market expansion plan:** The Company's growth oriented decision to conserve cash in the Company for future expansion plan may impact shareholders expectation for the dividend. The Board shall consider the same before taking dividend decision.
2. **Macroeconomic conditions:** The policy decisions that may be formulated by the Government from time to time and other similar conditions prevailing in the market which may have a bearing on or affect the business of the Company, the management may consider retaining a larger part of the profits to have sufficient reserves to absorb these unforeseen circumstances.
3. **Taxation and other regulatory concern:** Dividend distribution tax or any tax deduction at source as required by applicable tax regulations in India, as may be applicable at the time of declaration of dividend. Any restrictions on payment of dividends by virtue of any regulation as may be applicable to the Company at the time of declaration of dividend.

D) How retained earnings shall be utilized:

The Board may retain its earnings in order to make better use of the available funds and increase the value of the stakeholders in the long run. The decision of utilization of the retained earnings of the Company shall be based on the following factors:

- a) Market expansion plan;
- b) Product expansion plan;
- c) Increase in production capacity;
- d) Modernization plan;

- e) Diversification of business;
- f) Long term strategic plans;
- g) Replacement of capital assets;
- h) Other such criteria as the Board may deem fit from time to time.

The Board shall consider the factors provided above, before determination of any dividend payout, after analyzing the prospective opportunities and threats, viability of the options of dividend payout or retention etc. The decision of dividend payout shall, majorly be based on the aforesaid factors considering the balanced interest of the shareholders and the Company.

AMENDMENT

If any change/amendment, if required in terms of any applicable law, the Board of Director shall review and amend the Policy, to give effect to any such changes/ amendments.

ADMINISTRATION:

Approval:	Board of Directors
Owner:	Finance Department
Approval Date & Effective Date:	7 November, 2016
History:	
Current Version:	7 Nov 2016 POL-GSKCH-DDP- v1
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