



## **GlaxoSmithKline Consumer Healthcare Limited**

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### **Policy on Related Party Transactions**

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## A. OUR MISSION:

We at GlaxoSmithKline Consumer Healthcare Ltd. (GSKCH) believe in deliver sustainable performance while creating shared value for our customers, employees and the communities which we serve. Our mission statement “**To improve the quality of human life by enabling people to do more, feel better and live longer**” is taken forward through our values of Consumer first, Respect, Transparency & Integrity in everything that we do.

## B. OUR COMPANY :

**GlaxoSmithKline Consumer Healthcare India Ltd.** (GSKCH) is a leading consumer healthcare Company that operates across nutrition, food categories with leading brands like Horlicks, Boost. GlaxoSmithKline Consumer Healthcare India Ltd is a listed entity managed by a Board of Directors including prominent independent directors. GSKCH is a subsidiary of **GlaxoSmithKline (GSK)**, one of the world’s leading research-based pharmaceutical and healthcare Company, is committed to improving the quality of human life by enabling people to do more, feel better and live longer.

## C. PURPOSE & APPLICABILITY:

This policy is framed based on requirements of Listing Agreement entered by the Company with the Stock Exchanges and also to comply with the provisions of Section 188 of the Companies Act, 2013 and is intended to ensure the governance and reporting of transactions between the Company and its related parties. This includes disclosure to be made each year in Director’s Report about particulars of contracts or arrangements with related parties.

The objective of this policy is to ensure proper approval, disclosure and reporting of transactions as applicable and enhance transparency, between the Company and any of its related parties in the best interest of the Company and its stakeholders.

In addition, the Audit Committee and the Board have to review any Related Party Transactions involving Independent Directors as part of the annual determination of their independence as provided under Section 149 of Companies Act, 2013.

This policy is effective from 1<sup>st</sup> October 2014.

## D. DEFINITION:

“**Arm’s length transaction**” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no ‘conflict of interest’.

“**Associate Company**”, 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 twenty per cent of total share capital, or of business decisions under an agreement.

**“Audit Committee”** means Committee of Board of Directors of the Company constituted under provisions of Regulation 18 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 177 of the Companies Act, 2013.

**“Board of Directors”** or **“Board”** in relation to a Company means the collective body of the Directors of the Company.

**“Key Managerial Personnel”**, in relation to a Company, means:

- (i) the Chief Executive Officer or the Managing Director or the Manager;
- (ii) the Company Secretary;
- (iii) the Whole-time Director;
- (iv) the Chief Financial Officer; and
- (v) such other Officer as may be prescribed;

**“Material related party transaction”** for the purpose of the policy means a transaction to be entered into individually or taken together with previous transactions during a financial year, exceeds the threshold prescribed by the SEBI circular or any amendment thereof (currently ten (10%) percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company).

**“Related Party”** means a person or an entity:

- (i) which is a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) which is a related party under the applicable accounting standards.

1. A person or a close member of that person’s family is related to a Company if that person:

a. is a related party under Section 2(76) of the Companies Act, 2013 means:

- (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 a partner;
- (iv) a private Company in which a director or manager 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) anybody 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 sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) any Company 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;

- (ix) director or key managerial personnel of the holding Company or his relative; or
  - (x) such other person as may be prescribed;
- b. has control or joint control or significant influence over the Company; or
- c. is a Key Management Personnel of the Company or of a parent of the Company; or
2. An entity is related to a Company if any of the following conditions applies:
- (i) The entity is a related party under Section 2(76) of the Companies Act, 2013; or
  - (ii) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
  - (iii) 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); or
  - (iv) Both entities are joint ventures of the same third party; or
  - (v) One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
  - (vi) The entity is a post employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company; or
  - (vii) The entity is controlled or jointly controlled by a person identified in (1)
  - (viii) A person identified in (1)(b) has significant influence over the entity (or of a parent of the entity); or

**“Related Party Transactions”** means a transaction involving transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged. A transaction with a related party shall be construed to include single transaction or a group of transactions in a contract.

**“Relative”**, with reference to any person, means any one who is related to another, if:

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) one person is related to the other person as:
  - Father (including step father)
  - Mother (including step mother)
  - Son (including step son)
  - Son’s wife
  - Daughter
  - Daughter’s husband
  - Brother (including step brother)
  - Sister (including step sister)

**E. IDENTIFICATION OF RELATED PARTY & TRANSACTIONS:**

1. All the GSK entities (including associate Company) will be considered a related party.
2. Each Director and Key Managerial Person shall disclose to Company Secretary all its Related Parties. The Board shall record the disclosure of interest.
3. The Company will identify any of the following related party transactions for the purpose of this policy:
  - Sale, purchase or supply of any goods, materials or assets.
  - Selling or otherwise disposing of, or buying, property of any kind.
  - Leasing of property of any kind.
  - Availing or rendering of any services.
  - Appointment of any agent for purchase or sale of goods, materials, services or property.
  - Related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company, and
  - Underwriting the subscription of any securities or derivatives thereof, of the Company.
  - Transfer of resources, services or obligations, regardless of whether a price is charged.
  - Sale, purchase, transfer and / or use of any intangible property.

**F. APPROVAL MECHANISM:**

1. All Related Party Transaction shall require prior approval of the Audit Committee.
2. In addition, Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:
  - (i) Transactions are repetitive in nature.
  - (ii) It satisfy itself with the need for such omnibus approval and that such approval is in the interest of the Company;
  - (iii) Such omnibus approval shall specify
    - a. the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
    - b. the indicative base price / current contracted price and the formula for variation in the price if any and
    - c. such other conditions as the Audit Committee may deem fit;

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for transactions subject to their value not exceeding Rs 1 Cr per transaction.

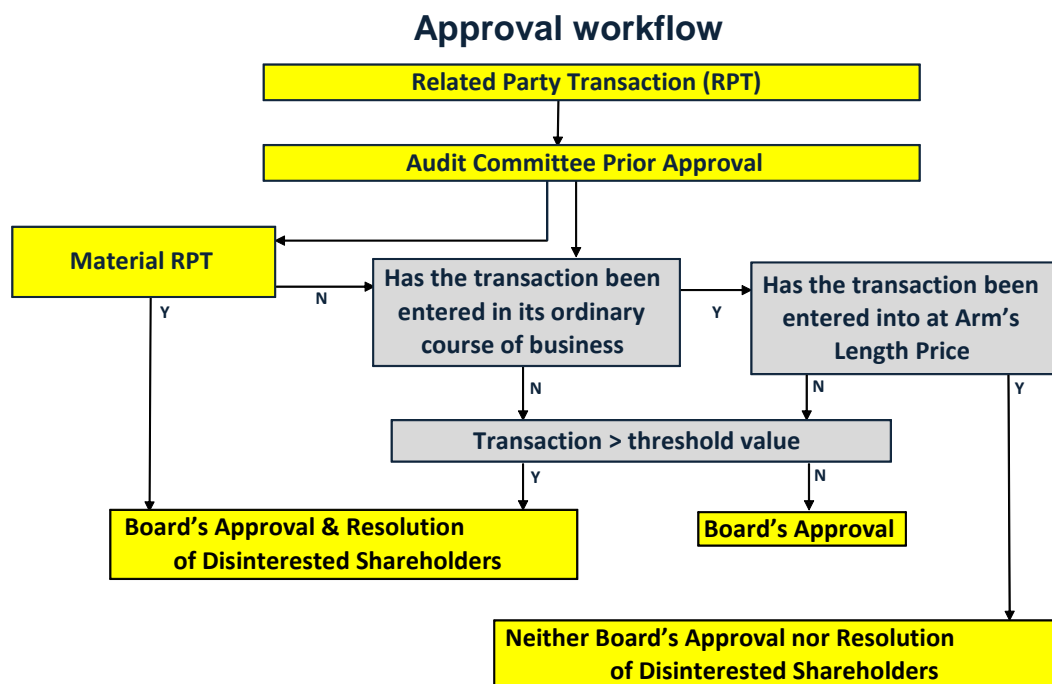
- (iv) Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
- (v) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year

3. Any member of the Audit Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.
4. All related party transactions that are not in the ordinary course of business and / or not at arm's length shall be duly listed and proposed for Board's approval.
5. To review a RPT, the Committee / Board shall be provided with the necessary information, to the extent relevant, with respect to actual or potential RPT under this Policy.
6. All transactions listed above in S. No. 4 and exceeds the threshold mentioned below shall also be approved through prior resolution of disinterested shareholders.

Nature of Transaction	Threshold
Sale, Purchase or Supply of any goods/materials	10% of turnover or Rs.100 crores, whichever is lower
Selling, Disposing or Buying of Property	10% of net worth or Rs.100 crores, whichever is lower
Leasing of Property	10% of turnover or 10% of net worth or Rs.100 crores, whichever is lower
Availing or rendering of service	10% of turnover or Rs. 50 crores, whichever is lower
Appointment to any office of profit in the Company, its subsidiary or associate	Monthly remuneration > Rs. 2.5 lacs
Underwriting of Securities	Remuneration > 1% of Net Worth

7. All “**material related party transactions**” shall require prior approval from A) Board of Directors and ii) transaction approved through resolution of disinterested shareholders. For this purpose, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.
8. All related party transaction approval mechanism should also comply with the requirements of A) Companies Act B) Income Tax Act and C) SEBI guidelines and any notification issued there under.
9. Existing contracts entered into by the Company (after making necessary compliances under section 297 of the Companies Act, 1956) which already came into effect before the commencement of Section 188 of the Companies Act, 2013, will not require fresh approval under the said section 188 (from the board or members, as the case may be) till the expiry of the original term of such contracts. However, if any modification in such contract is made on or after 1st April, 2014, the requirements under Section 188 will have to be complied with.

10. Notwithstanding the foregoing, transaction between Holding Company and Wholly-owned subsidiaries whose accounts are consolidated with such Holding Company and placed before the Shareholders at the general meeting for approval shall not require approval of Audit Committee or Shareholders.



**G. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY:**

In the event the Company becomes aware of any RPT that has not been approved under this policy, the matter shall be reviewed by the Audit Committee. The Committee shall consider all of the relevant facts and circumstances regarding the RPT, and shall evaluate all options available to the Company, revision or termination of the RPT. The Committee may examine the facts and circumstances of the case and take any such action it deems appropriate, keeping the provisions of the Companies Act 2013 and other Regulations in mind.

**H. DISCLOSURES:**

1. Details of material related party transactions on a quarterly basis along with the compliance report on corporate governance.
2. GSKCH shall disclose the policy on dealing with Related Parties Transactions on its website and web-link shall be provided in the annual report.

**I. AMENDMENTS IN LAW:**

Any subsequent amendment / modification in the listing agreement and / or other applicable laws (including Companies Act, 2013) in regard to RPT policy shall apply to this policy automatically.

The Audit Committee will review and may amend this policy from time to time.

**J. ADMINISTRATION:**

Approval:	GSKCH Board of Directors
Owner:	GSKCH Legal & Secretarial Department; Finance Department
Approval Date & Effective Date:	6 November, 2015
History:	
Current Version:	6 Nov 2015 POL-GSKCH-RPT- v2 (Policy Amendment)
Previous Version:	1 Oct 2014 POL-GSKCH-RPT