Novartis India Limited

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

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Novartis India Limited

1. Overview

1.1. OBJECTIVE

The Board of Directors (the 'Board') of Novartis India Limited (the 'Company'), acting upon the recommendation of its Audit Committee, has adopted the following policy and procedures for dealing with Related Party Transactions (**“RPTs”**).

This policy is framed as per requirement under Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI (LODR) Regulations, 2015**”), and amendments thereto, to provide a framework for regulating transactions with Related Parties. The policy is intended to ensure that the dealings in RPTs meet proper reporting and approval norms as required by the statute, i.e., Companies Act, 2013 and rules made thereunder and SEBI (LODR) Regulations, 2015 and amendments thereto. SEBI’s circular dated June 26, 2025, providing the “Industry Standards on Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions” ("**ISF Standards on RPT**"), shall also be the governing provisions for this policy.

This policy intends to list the approach adopted by the Company for transactions with its Related Parties. It is the objective of the Company that such transactions be based on principles of transparency and arm's length pricing.

1.2. DEFINITIONS

"Act" means the Companies Act, 2013, Rules framed thereunder and any amendments thereto.

"Audit Committee or Committee" means Committee of Board of Directors of the Company constituted under the provisions of section 177(4) of Companies Act, 2013 ('the Act') and Regulation 18 of SEBI (LODR) Regulations, 2015.

"Board" means Board of Directors of the Company.

"Material Related Party Transaction" shall mean a transaction with a Related Party where the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds the thresholds set out in Schedule XII of the SEBI (LODR) Regulations, 2015.

Notwithstanding anything contained in the above, a Related Party Transaction involving payments made by the Company to a Related Party with respect to brand usage or royalty shall also be considered a Material Related Party Transaction, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

"Material Modification(s)" means and includes any modification to an existing Related Party Transaction having variance of 20% of the approved limit or INR 1 crore whichever is higher as sanctioned by the Audit Committee/ Board/ Shareholders, as the case may be.

"Policy" means this policy for dealing with Related Party Transactions.

"Relative" means relative as defined under section 2(77) of the Companies Act, 2013 and rules prescribed thereunder.

"Related Party" shall mean a related party as defined under Section 2(76) of the Companies Act, 2013, or under the applicable accounting standards. Provided that:

(a) any person or entity forming a part of the promoter or promoter group of the Company; or
(b) any person or any entity, holding equity shares of 10% (ten percent) or more~~,~~ in the Company either directly or on a beneficial interest basis as provided under section 89 of the Act, at any time, during the immediate preceding financial year shall be deemed to be a related party.

"Related Party Transaction" or "RPT" shall mean a transaction involving a transfer of resources, services or obligations between:

(a) the Company or any of its subsidiaries on one hand and a Related Party of the Company or any of its subsidiaries on the other hand; or
(b) 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, regardless of whether a price is charged, and a "transaction" with a Related Party will be construed to include a single transaction or a group of transactions in a contract:

Provided that the following shall not be a Related Party Transaction:

(a) 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;
(b) the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to

their shareholding:
(i) payment of dividend;
(ii) subdivision or consolidation of securities;
(iii) issuance of securities by way of a rights issue or a bonus issue; and
(iv) buy-back of securities.

(c) acceptance of fixed deposits by banks / non-banking finance companies at the terms uniformly applicable / offered to all shareholders / public, subject to disclosure of the same along with the disclosure of related party transactions every 6 (six) months to the stock exchange(s), in the format as specified by the Securities and Exchange Board of India;

(d) acceptance of current account deposits and savings account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time;

Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon; and

(e) 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.

"**Specified RPT**" means a contract or arrangement between the Company and a related party (as defined under section 2(76) of the Act) with respect to:

(a) sale, purchase or supply of any goods or materials;
(b) selling or otherwise disposing of, or buying, property of any kind;
(c) leasing of property of any kind;
(d) availing or rendering of any services;
(e) appointment of any agent for purchase or sale of goods, materials, services or property;
(f) such related party's (as defined under section 2(76) of the Act) appointment to any office or place of profit in the Company, its subsidiary company or associate company; and
(g) underwriting the subscription of any securities or derivatives thereof, of the Company.

1.3. POLICY GOVERNING RELATED PARTY TRANSACTIONS

a) This Policy would be subject to revision/amendment in accordance with the applicable laws and will be reviewed by the Board of Directors of the Company at least once in three years.
b) In the event of any conflict between the terms of this Policy and applicable law, the provisions of the applicable law shall prevail.
c) All RPTs and subsequent Material Modifications must be reported to the Audit Committee and referred for approval by the Audit Committee in accordance with this Policy.

Provided that only those members of the Audit Committee, who are independent directors, shall approve RPTs.

2. IDENTIFICATION OF RELATED PARTY AND RELATED PARTY TRANSACTIONS

a) Each director and KMP is responsible for providing a notice to the Company Secretary of any potential RPTs involving him/her or his or her relative, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee and the Board. Such notice should be provided by the director or KMP at the earliest possible occasion that he/she becomes reasonably aware of any potential RPTs involving him/her or his or her relative.

b) The Company strongly prefers to receive such notice of any potential RPTs reasonably in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

c) The Company Secretary will obtain annual declarations from Directors and KMPs for identification of Related Parties.

d) The list of Related Parties arising from the declarations will be compiled by the Company Secretary and shared with the corporate reporting team.

e) Corporate reporting team will keep track of the transactions with: a. The Related Parties identified under the above declarations b. The holding company, fellow subsidiary companies and affiliate companies of the company.

f) Corporate reporting team will establish a mechanism in the accounting system to track new transactions/agreements/arrangements made with Related Parties, from time to time and shall also be responsible for maintenance of records and monitoring statutory threshold for shareholder approval.

2.1. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

a) All Material Related Party Transactions and subsequent Material Modifications shall require prior approval of the shareholders through a resolution and no Related Party shall vote to approve such resolutions whether the entity is a Related Party to the particular transaction or not.

b) A Related Party Transaction above INR 1 crore (Indian Rupees One Crore) whether entered into individually or taken together with previous transactions during a financial year, to which any subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee, if the value of such transaction, exceeds the lower of (a) 10% (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 of the Company as specified in Schedule XII of the SEBI (LODR) Regulations, 2015.

c) A related party transaction above Rs. 1 crore (Indian Rupees One Crore) whether entered into individually or taken together with previous transactions during a financial year, to which any 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, shall require prior approval of the Audit Committee, if the value of such transaction, exceeds the lower of (a) 10% (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 of the Company as specified in Schedule XII of the SEBI (LODR) Regulations, 2015.

d) Prior approval of the shareholders is not required, for a Related Party Transaction to which a listed subsidiary of the Company is a party but the Company is not a party, if Regulation 23 and Regulation 15(2) of the SEBI (LODR) Regulations, 2015 are applicable to such listed subsidiary. In case of related party transactions entered into by an unlisted subsidiary of such listed subsidiary, the prior approval of the Audit Committee of the listed subsidiary would suffice.

e) The approval policy framework is given below:

Audit Committee Approval	**Board Approval**	**Shareholder's Approval**
All RPTs and subsequent Material Modifications	RPTs referred by Audit Committee for approval of the Board to be considered	RPTs as required by the statute. Approval of shareholders required for: i. Material Related Party Transactions and subsequent Material Modifications; ii. Specified RPTs in excess of the limits prescribed under Section 188 of the Act.

f) Every RPT and subsequent Material Modifications shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by circulation as applicable. Provided that only those members of the Audit Committee, who are independent directors, shall approve related party transactions. Any member of the Audit Committee or Board of Directors who has a potential interest in any RPT will abstain from discussions and voting on the approval of the RPTs.

g) In determining whether to approve, ratify, disapprove or reject an RPT, the Audit Committee shall consider the conditions laid down under Regulation 23 of the SEBI (LODR) Regulations, 2015.

h) In case the Audit Committee does not approve a Related Party Transaction (other than the Specified RPTs), it shall make its recommendations to the Board of Directors of the Company ("**Board**").

In case, any Specified RPT entered into by the Company is not in the ordinary course of business or not on arm's length basis then the approval of Board shall be sought in accordance with Section 188 of the Act read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules 2014.

i) The remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, 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.

j) The requirement of obtaining prior approval of the Audit Committee and/or the shareholders is not applicable for the following Related Party Transactions:

(i) transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

(ii) transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

2.2. GENERAL CRITERIA FOR APPROVAL OF RELATED PARTY TRANSACTIONS BY AUDIT COMMITTEE

The Company shall provide the audit committee with the information as specified in the ISF Standards on RPT, while placing any proposal for review and approval of an RPT.

2.3. GENERAL CRITERIA FOR APPROVAL OF RELATED PARTY TRANSACTIONS BY THE BOARD OF DIRECTORS

The Board shall consider and approve the RPT as required to be approved under the Act or rules made thereunder and/or SEBI (LODR) Regulations, 2015 and/or transactions referred/recommended to it by the Audit Committee.

Further, the Company shall not enter into a Related Party Transaction which is not:
(a) on an arm’s length basis; and
(b) in the ordinary course of business, except with the prior approval of the Board.

2.4. GENERAL CRITERIA FOR THE APPROVAL OF RELATED PARTY TRANSACTIONS BY SHAREHOLDERS

All Material Related Party Transactions and subsequent material modifications as defined by the Audit Committee under this Policy as per the SEBI (LODR) Regulations, 2015 shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Any Related Party Transactions which exceeds the thresholds prescribed under the Act read with Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, and which is not on an arm's length basis or in ordinary course of business, cannot be entered into by the Company except with the prior approval of the Shareholders by a resolution.

Further, the notice being sent to the shareholders seeking approval for any RPT shall, in addition to the requirements under the Companies Act, 2013, include the information as part of the explanatory statement as specified in the ISF Standards on RPT.

2.5. OMNIBUS APPROVAL BY AUDIT COMMITTEE FOR RELATED PARTY TRANSACTIONS PROPOSED TO BE ENTERED

a) The Audit Committee may grant an omnibus (umbrella) approval for RPTs proposed to be entered into by the Company or its subsidiaries subject to the following conditions:-

   i. Such approval is in respect of transactions which are repetitive in nature and the criteria for granting such omnibus approval shall be in line with this Policy.

   ii. The Audit Committee shall satisfy itself as to the need for such omnibus approval and that such approval is in the interest of the Company.

   iii. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely:-

      (a) the maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
      (b) the maximum value per transaction which can be allowed;
      (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
      (d) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the Company pursuant to each of the omnibus approval made.
      (e) transactions which cannot be subject to the omnibus approval by the Audit Committee.

   iv. The omnibus approval shall specify:

(i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,

(ii) nature and duration of the transaction;

(iii) the indicative base price / current contracted price and the formula for variation in the price if any; and

(iv) such other conditions as the audit committee may deem fit.

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

c) Further, in case where the need for a RPT cannot be foreseen and the above details are not available, the Audit Committee may grant omnibus approval for such transactions provided the value does not exceed Rupees one crore per transaction subject to an overall limit of Rupees four crore per quarter.

d) The Omnibus Approval shall not be made for Related Party Transactions in respect of disposing or selling of an undertaking of the Company.

e) The Audit Committee shall review on a quarterly basis the aforesaid RPTs entered into by the Company pursuant to each of the omnibus approvals given.

f) Such omnibus approval would be valid only for a period of one year and would require fresh approval after expiry of the said period.

2.6. OMNIBUS APPROVAL BY SHAREHOLDER FOR RELATED PARTY TRANSACTIONS PROPOSED TO BE ENTERED

The omnibus approval granted by the shareholders for Material Related Party Transactions in an annual general meeting shall be valid till the date of the next annual general meeting held within the timelines prescribed under Section 96 of the Act or rules, notifications, or circulars issued thereunder from time to time. In case of omnibus approvals for Material Related Party Transactions, granted by shareholders in general meetings other than annual general meetings, the validity of such omnibus approvals shall not exceed one year from the date of approval.

2.7. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of an RPT with a Related Party that has not been approved under this Policy prior to its consummation, the members of the audit 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 audit 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 a Material Related Party Transaction;
(iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
(iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions Regulation 23(9) of the SEBI (LODR) Regulations, 2015;
(v) any other condition as specified by the audit committee.

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it.

In the event a Specified RPT is entered into by a director or any other employee of the Company, without obtaining the consent of the Board or the shareholders of the Company as per this Policy, and it is not ratified by the Board or, as the case may be, by the shareholders of the Company at a meeting within 3 (three) months from the date on which such Specified RPT was entered into, such Specified RPT shall be voidable at the option of the Board or, as the case may be, of the shareholders of the Company. In the event such Specified RPT has been entered into with a Related Party of any director of the Company, or if such Specified RPT has been authorised by any other director of the Company, the director(s) concerned shall be liable to indemnify the Company against any loss incurred by the Company.

2.8. APPLICABILITY OF THE MATRIX AS PER INDUSTRY STANDARDS

The ISF Standards on RPT shall be applicable in respect of RPTs entered into by the Company on or after 29 July 2026, as per the Applicability Matrix as specified in **Annexure A**.

2.9. DISCLOSURES

1. The Company shall submit within 15 days from the date of publication of its standalone and consolidated financial results for half year, disclosures of Related Party Transactions in its annual report in the format specified by the SEBI from time to time and publish the same on its website.
   Provided that the Company shall make such disclosure every half year on the date of publication of its standalone and consolidated financial results.

2. This Policy will be communicated to all operational employees and other concerned persons of the Company and shall be placed on the website of the Company at www.nilpharma.co.in.

3. Annexure

ANNEXURE A

Applicability Matrix for the manner in which minimum information shall be provided to the Audit Committee/Shareholders

<table>
<tr><th>Type of Transaction</th><th>Threshold</th><th>Balance Sheet / P&L Items</th><th>Approvals Required</th><th>Disclosure Requirement</th></tr>
<tr><td>Material RPT</td><td>As defined above</td><td>Both</td><td>Audit Committee + Shareholders</td><td>Comprehensive Disclosure</td></tr>
<tr><td rowspan="4">Other RPT, but which is with promoter or promoter group or person/entity in which promoter or promoter group has concern or interest</td><td rowspan="2">Exceed the threshold provided below**</td><td>Balance sheet items</td><td rowspan="2">Audit Committee</td><td>Comprehensive Disclosure</td></tr>
<tr><td>P&L Items</td><td>Comprehensive Disclosure</td></tr>
<tr><td rowspan="2">Less than the threshold provided below**</td><td>Balance sheet items</td><td rowspan="2">Audit Committee</td><td>Comprehensive Disclosure</td></tr>
<tr><td>P&L Items</td><td>Limited Disclosure</td></tr>
</table>

<table>
<tr><th>Type of Transaction</th><th>Threshold</th><th>Balance Sheet / P&L Items</th><th>Approvals Required</th><th>Disclosure Requirement</th></tr>
<tr><td rowspan="2">Residual RPT</td><td>Transaction(s) with a related party to be entered into individually or taken together with previous transactions during a financial year exceeding Rs. One crore</td><td rowspan="2">Both</td><td rowspan="2">Audit Committee</td><td>Limited Disclosure</td></tr>
<tr><td>Transaction(s) with a related party to be entered into individually or taken together with previous transactions during a financial year less than Rs. One crore</td><td>Minimum Disclosure</td></tr>
</table>

****The applicability matrix shall be applicable to transaction(s) with a related party, where the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed lower of the following:**

1. 2% of turnover, as per the last audited consolidated financial statements of the Company;
2. 2% of net worth, as per the last audited consolidated financial statements of the Company, except in case the arithmetic value of the net worth is negative;
3. 5% of the average of absolute value of profit or loss after tax, as per the last three audited consolidated financial statements of the Company.

Comprehensive disclosures: All disclosures as specified in Para 4 of ISF Standards on RPT, as applicable to relevant RPT.

Limited disclosures: All disclosures as specified in Para 4 of ISF Standards on RPT, as applicable to relevant RPT, except the following:

1. B(2): Rows 13 to 17;
2. B(3): Rows 31 & 32 (In both rows, provide information for the previous financial year instead of the last three financial years).
3. B(4): Row 43; and
4. B(8): Rows 78, 79, 84 & 86.

Minimum disclosures: All disclosures as specified in Rows A(1), A(2), A(4), A(5) and B(1) of Para 4 of ISF Standards on RPT, as applicable to relevant RPT.