

DR. REDDY'S LABORATORIES LIMITED

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

(as originally approved at the Board Meeting held on October 29, 2014, first modified on February 1, 2019 and then modified by the Board at their meeting held on March 30, 2022, effective from April 1, 2022)

INTRODUCTION

This policy is intended to ensure proper approval and reporting of transactions between Dr. Reddy's Laboratories Limited (the "Company" or "Dr. Reddy's"), its subsidiary companies and its associate companies (together "the Group") and the related parties in terms of the applicable laws and regulations.

OBJECTIVES

Related Party Transactions have been one of the major areas of focus for the corporate governance reforms being initiated by the Indian legislature.

The changes introduced in the Corporate Governance norms through the Companies Act, 2013 and the rules made thereunder ("CA2013") and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations"), as amended from time to time, require the companies to have enhanced transparency and due process for approval of the Related Party Transactions.

One such requirement of the SEBI LODR Regulations is that the companies are required to formulate a policy on 'Materiality of Related Party Transactions and also on dealing with Related Party Transactions'.

The Board of Directors (the "Board") of Dr. Reddy's has adopted Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions (this "Policy") to set forth the procedures under which the transactions with Related Parties shall be considered for approval/ratification.

A) DEFINITIONS

"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.

Pricing may not be the only determinant of a transaction being at arm's length though it is an important factor. Therefore, the Company would apply judgment to conclude whether a transaction can be considered to be on an arm's length basis. The following may be considered to be helpful in concluding whether a transaction is on an arm's length basis:

- i. The transaction is as per the prevailing price list/ pricing policy/ market price/ at the same price (or margin) at which entered into with unrelated parties;
- ii. The transaction is in line with unrelated parties quotations/ bids;
- iii. The transaction is at a price/ rate in line with Government guidelines/ industry body/ specifications where relevant;
- iv. Cost sharing arrangements, where costs are shared based on the benefit derived;
- v. Taking assistance of an expert – valuation specialist;
- vi. Principles under the transfer pricing guidelines;
- vii. Such other criteria as prescribed under applicable law or judicial precedents.

“Audit Committee” means the Audit Committee constituted by the Board of Directors of the Company in accordance with applicable law, including the SEBI LODR Regulations and the CA2013.

“Associate Company” in relation to another company, means a company in which that other company has a significant influence (i.e. control of at least twenty per cent. of total voting power, or control of or participation in business decisions under an agreement), but which is not a subsidiary company of the company having such influence and includes a joint venture company (i.e. a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement).

“Board” means the Board of Directors of Dr. Reddy’s Laboratories Limited.

“Company” means Dr. Reddy’s Laboratories Limited.

“Key Managerial Personnel (KMP)” means key managerial personnel as defined under the CA2013, viz:

- (i) the Managing Director or the Chief Executive Officer or the manager;
- (ii) the Company Secretary; and
- (iii) the Chief Financial Officer
- (iv) Whole-time Director
- (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

“Material Related Party Transaction” means a transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions with a Related Party during a financial year, exceeds the thresholds/criteria as defined under the CA2013 or the SEBI LODR Regulations.

“Ordinary Course of Business” for the purpose of this policy will cover the businesses of Dr. Reddy’s & its ‘Group’, usual transactions, customs and practices of a business including incidental and/or facilitative activities of the business of Dr. Reddy’s and its ‘Group’. The following factors have been considered for determination of whether the transactions are in ordinary course of business:

- a. The objects of the Company permit the activities undertaken;
- b. There is a historical practice to conduct such activities;
- c. There is a pattern of frequency to conduct such activities over a period of time; and
- d. The transactions are common in industrial practice.

“Policy” means this Policy, as amended from time to time.

“Related Party” in relation to the Company means a party related with the Company in any of the ways as are laid down in the CA2013 or the SEBI LODR Regulations, as amended from time to time.

“Related Party Transaction” means a transaction(s) as defined under the provisions of the CA2013 or the SEBI LODR Regulations, as amended from time to time.

“Material Modifications” means any modification(s) in the terms and conditions of any related party transaction, which were existing at the time of its approval/ ratification by the Audit Committee/ Board/ shareholders, having a significant impact, including the criteria illustrated below, on the nature, value, financial impact and tenure of such a transactions.

An illustrative list of rebuttable presumption that a modification is material, if such modification, together with previous modifications during a financial year, results into any of the following-

- a) The terms of the contract cease to be arms' length;
- b) A transaction which has lost its character of being in 'Ordinary course of business';
- c) Novation of contract or change in nature of transaction;
- d) Substantial change in agreed terms and conditions of the contract;
- e) Any variation exceeding 25% over and above the approved limit for transactions with the related party.

Provided further that the following shall not be considered as material modification –

- modifications which may be mandated pursuant to change in the CA2013 or the SEBI LODR Regulations or other applicable law;
- modifications resulting from change in constitution of either of the parties pursuant to schemes of arrangement (e.g. merger, amalgamation, demerger, etc.),
- modifications which are purely technical and do not result in substantive change or alteration of rights, interests, and obligations of any of the parties,
- modifications uniformly affected for similar transactions with unrelated parties.

“Relative” means relative as defined under the CA2013 or the SEBI LODR Regulations, as amended from time to time.

“Senior Management Personnel” shall mean officers/ personnel of the Company who are members of its core management team excluding board of directors and normally this shall comprise all members of management one level below the “chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case they are not part of the board) and shall specifically include company secretary and chief financial officer.

B) IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

Every Director, Key Managerial Personnel, and Senior Management Personnel is responsible for providing notice to the Board or the Audit Committee, of any potential Related Party Transaction involving him/her or his/her relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

All Directors are required to declare and disclose their concerns or interests in any company or companies or bodies corporate at the first Board meeting in every financial year and subsequently whenever there is any change in disclosures. In addition, the Directors shall ensure that any business transactions entered into between Dr. Reddy's and themselves comply with the terms of this Policy.

The Company prefers to receive such notice (or any changes thereof) of any potential Related Party Transaction, well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

C) REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

All related party transactions and its material modifications shall require prior approval of the Audit Committee. In case, there are any transactions which are not at arm's length or which are concluded to be not in ordinary course of business, the Company would need the following additional approvals as mentioned hereunder:

- 1) Transactions with related parties which are in ordinary course of business of the Company and at arm's length shall be periodically disclosed to the Audit Committee/Board of Directors.
- 2) In case of transactions which are 'material' in nature and/or not in the ordinary course of business or not at arm's length, the management shall present the requisite information to the Audit Committee/Board of Directors for approval of those Related Party Transactions, as per the provisions of the CA2013 and/or SEBI LODR Regulations.

After reviewing such information, the members of the Audit Committee (without the presence of the interested Committee member(s), if any) shall consider such transactions.

If the Board in any case elects to review any such matter or it is mandatory under any law for the Board to approve any Related Party Transaction, then 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 (without the presence of the interested Board member(s), if any).

The Company shall also seek prior approval of shareholders for all material related party transactions. No related party shall vote to approve such resolution whether the entity is related party to the particular transaction or not.

- 3) The threshold limits for related party transactions would be as defined in the CA2013 and SEBI LODR Regulations or as amended therein from time to time. Presently, the thresholds are as under:

Audit Committee	Board of Directors	Shareholders
All Related Party Transactions requiring approval under the CA2013 or SEBI LODR	Any Related Party Transaction which is not in the ordinary course of business and/or not at arm's length basis.	1) All material Related Party Transactions 2) Any Related Party Transaction exceeding their respective limits, as per CA2013 and the SEBI LODR Regulations (other than with wholly-owned subsidiaries)

- 4) In terms of Regulation 23(5) of the SEBI LODR Regulations, the approval of the Audit Committee and shareholders shall not be required for the transactions entered into between:
 - (a) the holding company and its wholly owned subsidiary; and
 - (b) two wholly owned subsidiary of the Company,

whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

- 5) The Audit Committee may grant omnibus approval for such Related Party Transactions which are repetitive in nature. For unforeseen transaction, the value of such approval not to exceed Rs.1 crore per transaction. The validity of such approvals shall be one year. Such omnibus approval shall be granted in the manner as specified under the CA2013 and the SEBI LODR Regulations.
- 6) If any information with respect to any approved transaction has materially changed, the updated information shall be provided to the Committee/Board for their consideration.

D) RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of any transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Committee shall consider all the relevant facts and circumstances regarding the Related Party Transaction (including reasons of failure to report such transaction) and evaluate all

options available to the Company, including ratification, revision or termination of the Related Party Transaction.

E) DISCLOSURES

The Company shall make the following disclosures:

- a. The particulars of the related party transactions not at arm's length basis and material related party transactions shall be made in the Board's Report which forms a part of the Company's Annual Report.
- b. This Policy shall also be uploaded on the website of the Company and a web link thereto shall be provided in the Annual Report.
- c. The details of all material transactions with related parties shall be disclosed on a quarterly basis along with the compliance report on corporate governance filed with the stock exchanges under the SEBI LODR Regulations.
- d. Quarterly/Periodical update to the Audit Committee/Board, if applicable, on all the related party transactions entered into by the Company.
- e. Such other disclosures as may be prescribed by the CA2013 and the SEBI LODR Regulations, Accounting Standards and applicable regulations from time to time.

F) POLICY REVIEW

The Policy shall be periodically reviewed by the Board of Directors in terms of the requirements of the SEBI LODR Regulations, as amended from time to time.