

SANOFI INDIA LIMITED
POLICY ON RELATED PARTY TRANSACTIONS

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1. INTRODUCTION

- 1.1 The Companies Act, 2013, as amended from time to time (“the Act”) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (“Rules”) introduced relevant provisions relating to related party transactions and defined the terms viz., related parties, related party transactions, relatives and key management personnel. The Act and the Rules have also laid down the financial limits and the approval process for such transactions.
- 1.2 Additionally, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR”), as amended from time to time, including various circulars, has with the objectives of, aligning with the provisions of the Act, adopting best practices on corporate governance and making the corporate governance framework more effective, laid down certain criteria for determining and regulating the Related Party Transactions including the requirement to formulate a Related Party Transaction Policy.
- 1.3 Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. The purpose of such Policy is to ensure an effective system of checks and balances and a disclosure process to encourage transparency, adoption of best governance practices and that all Related Party Transactions are in the best interests of all the members.
- 1.4 The Board of Directors (the “Board”) of Sanofi India Limited (the “Company” or “SIL”), on recommendation of the Audit Committee of the Company, has adopted this policy (“the Policy”) and procedures with regards to Related Party Transactions (“RPTs”) as specified below. The Board shall review and update the Policy as and when necessary or at least once every three years, based on the laws and regulations applicable to the Company from time to time.
- 1.5 This Policy has been formulated to regulate transactions between the Company and its Related Parties and those falling within the definition of Related Party Transaction based on the laws and regulations applicable to the Company, including any subsequent amendments / modification in the Act, SEBI LODR and/or other applicable laws in this regard, which shall automatically apply to this Policy.

2. OBJECTIVE

- 2.1 This policy is framed and is applicable to all RPTs of SIL as defined under the relevant sections of the Act and SEBI LODR to ensure:
- i) Proper approval, ratification, disclosure and reporting of transactions between the Company and its related parties;

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- ii) Fairness in the conduct of RPTs in terms of the applicable laws;
- iii) The policy and procedures have been designed to ensure that:
 - All the Related Parties and RPTs are identified;
 - RPTs are evaluated to be at arm's length and in the interest of the Company;
 - Approvals from Audit Committee and wherever required from the Board of Directors and shareholders too, if necessary, are obtained;
 - RPTs are properly recorded;
 - Proper disclosures of the Policy and the RPTs are made, wherever and whenever required;
 - Monitoring of the RPTs.

3. DEFINITIONS

3.1 **“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.

3.2 **“Audit Committee or Committee”** means the Committee of the Board constituted from time to time under Section 177 of the Act and Regulation 18 of SEBI LODR.

3.3 **“Key Managerial Personnel”** means Key Managerial Personnel (KMP) as defined under the Act and SEBI LODR.

3.4 **“Material Modification(s)”** in relation to the Related Party Transaction(s) shall mean any change / variation / modification in an existing related party transaction / contract / arrangement, the financial effect of which is in variance of the existing value of the relevant related party transaction / contract / arrangement by more than 10%.

3.5 **“Material Related Party Transaction”** would mean transactions or series of transactions in one financial year with any single related party exceeding Rs. 1,000 crore or 10% of the annual consolidated turnover of the Company whichever is lower, as per the last audited financial statements of the Company.

Payments to a related party towards brand usage or royalty exceeding five percent of the annual consolidated turnover of the Company would also be considered as ‘material related party transaction’.

3.6 **“Ordinary Course of Business”** means normal, regular business activities carried out by the Company in line with its Memorandum and Articles of Association.

3.7 **“Policy”** means this Related Party Transactions Policy, including amendments, if any, from time to time.

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- 3.8 “**Related Party**” means a Party as defined in sub-section (76) of Section 2 of the Act and Regulation 2(zb) of SEBI LODR, including modifications or amendments made thereto.
- 3.9 “**Related Party Transaction**” (“**RPT**”) means transactions entered into with a related party, as given under clause (a) to (g) of sub-section (1) of Section 188 and the Rules related thereto and as defined in Regulation 2(zc) of SEBI LODR, including modifications or amendments made thereto.
- 3.10 “**Relative**” means a relative as defined under Section 2(77) of the Act and Rules prescribed there under.
- 3.11 “**Transaction**” shall be construed to include a single transaction or a group of transactions.
- 3.12 The terms **Director**, **Chief Financial Officer** and **Company Secretary** shall have the same meaning as assigned under the Act.

Explanation: Any words / terms used in the Policy but not defined herein, unless repugnant, shall have the same meaning ascribed to it, in the Act or rules made thereunder, the SEBI LODR, the Indian Accounting Standards or any other relevant legislation / law applicable to the Company

4. DEALING WITH RELATED PARTY TRANSACTIONS

- 4.1 All proposed RPTs must be reported to the Audit Committee for prior approval by the Committee in accordance with this Policy. In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant omnibus approval / standing pre-approval, details whereof are given in a separate section of this Policy.
- 4.2 In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Committee may ratify the transactions in accordance with section 5.7 of this Policy.
- 4.3 All RPTs of the Company shall be in compliance with the provisions of this Policy, the Act, SEBI LODR and the applicable Accounting Standards, as amended from time to time.
- 4.4 The Independent Directors in the Audit Committee shall review and approve all the RPTs based on this Policy.

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4.5 In the event of any conflict between the provisions of this Policy and of the Act / SEBI LODR / any other statutory enactments & rules, the said provisions of the Act / SEBI LODR / any other statutory enactments & rules shall prevail over this Policy.

4.6 Either this Policy or the important provisions of this policy shall be disseminated to all functional and operational employees and other concerned persons of the Company and shall be hosted on the website of the Company and web link thereto shall be provided in the Annual Report of the Company.

5. PROCEDURE FOR DEALING IN THE RELATED PARTY TRANSACTION(S):

5.1 Identification of Related Parties:

5.1.1 SANOFI Group Companies: All fellow subsidiaries of the Company shall be considered as Related Parties

5.1.2 The Company Secretary or any officer authorised by the Board / Audit Committee shall obtain, at the start of the Financial Year, declarations from Directors and KMPs holding company, subsidiary company(ies) for identification of related parties and also disclose any changes thereto during the Financial Year as immediately as practicable.

5.1.3 The list of Related Parties arising from such declarations will be compiled by the Company Secretary and shared with the Finance department of the Company.

5.2 Identification of RPTs

5.2.1 Every Director / KMP/ Functional & Business head is responsible for providing a notice to the Company Secretary of any potential RPTs involving him / her or his or her relative, holding Company, subsidiary Company(ies), joint ventures, RPTs of the subsidiary company (ies) etc., for being placed before the Audit Committee and the Board. Further they are also responsible to provide any additional information about the transaction that the Audit Committee /the Board may request, from time to time.

5.2.2 Such notice should be provided by the director/ KMP/ Functional & Business heads at the earliest possible occasion that he / she becomes reasonably aware of any potential RPTs involving him/her or his or her relative. It is highly recommended that such notice of any potential RPTs is provided well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

5.2.3 The finance department will keep track of the transactions entered between:

- i) The Company or any of its subsidiaries on one hand *and* a related party of the

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Company or any of its subsidiaries on other hand;

- ii) The Company or its subsidiaries on one hand *and* any other person or entity on other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries.

5.2.4 Finance department will establish a mechanism in the accounting system to track new transactions/ agreements/ arrangements as stated above, from time to time and shall also be responsible for maintenance of records and monitoring statutory threshold for shareholder and Omnibus / prior approvals from audit Committee of the Company.

5.2.5 The Company Secretary in consultation with the Chief Financial Officer, may refer any potential RPTs to any external legal/ transfer pricing expert and the outcome or opinion of such exercise shall be brought to the notice of the Audit Committee. Based on the opinion received from the legal/transfer pricing expert, the Company Secretary shall take it up for necessary approvals under this Policy.

5.3 Approval by the Audit Committee:

5.3.1 Every RPT and subsequent Material Modifications shall be subject to the prior approval of the Audit Committee at a meeting of the Committee or by Circular resolution(s).

5.3.2 Only those members of the Audit Committee, who are Independent Directors, shall approve the RPTs. Any member of the Audit Committee who has a potential interest in any RPT will be abstained from discussions and voting on the approval of the said RPT.

5.3.3 An RPTs to which the subsidiary is a party but the Company is not a party, shall require prior approval of the Audit committee of the Company, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

5.3.4 Prior approval of the Audit Committee of the Company shall not be required for a RPT to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of SEBI LODR are applicable to such listed subsidiary.

Explanation: For RPTs of unlisted subsidiaries of a listed subsidiary of the Company, the prior approval of the Audit Committee of the listed subsidiary shall suffice.

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

The Company shall provide the Audit Committee all such information as may be required by them and shall necessarily provide such minimum information as prescribed by the Industry Standard Forum (“ISF”) Note, as amended from time to time, and such other circulars as are issued by SEBI and the Stock Exchanges (“BSE and NSE”).

5.3.6 The Audit Committee shall have powers to call for such information as may be required for it to make an informed decision including hiring of the independent third party and obtaining of valuation, arm’s length study etc.

5.4 Omnibus Approval:

5.4.1 The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval and such approval shall be applicable in respect of transactions which are repetitive in nature, which shall include the following, namely:-

- a. 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 related party transaction pursuant to each of the omnibus approval made, at such intervals as the Audit Committee may deem fit;
- e. Transaction(s) which cannot be subject to the omnibus approval by the Audit Committee.

5.4.2 The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -

- Repetitiveness of the transactions (in past or in future);
- Justification for the need of omnibus approval.
- That the transaction is in the interest of the Company

5.4.3 The omnibus approval shall contain or indicate the following: -

- i) Name of the related parties;
- ii) Nature and duration of the transaction;
- iii) Maximum amount of transaction that can be entered into;
- iv) Material terms of the transaction including the value;
- v) The percentage of the Company’s annual consolidated turnover for the

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immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);

- vi) Justification as to why the transaction is in the interest of the Company;
- vii) The indicative base price or current contracted price and the formula for variation in the price, if any; and
- viii) Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction

5.4.4 Where the need for RPTs cannot be foreseen and aforesaid details are not available, Audit Committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

5.4.5 The Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company or its subsidiary pursuant to each of the omnibus approvals given.

5.4.6 Omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.

5.4.7 Omnibus approval shall not be made for transactions in respect of selling or disposing off the undertaking of the company.

5.5 Approval by the Board

5.5.1 Subject to section 5.3 and 5.4, if the Committee determines that a RPT should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the RPT, then the Board shall consider and approve the RPT at a meeting and the considerations set forth below shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

5.5.2 In case any RPTs are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction.

5.5.3 If the Audit Committee does not approve any RPT, it shall refer the same to the Board for consideration and approval.

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5.6 Approval by the Shareholders

- 5.6.1. All Material RPTs and any subsequent Material Modifications thereto, will be referred to the shareholders for prior approval.
- 5.6.2. The Related Party entity(ies) **shall not vote** to approve such resolutions, irrespective of whether the entity is a party to the particular transaction or not.
- 5.6.3. An RPT for which the Audit Committee has granted omnibus approval shall continue to be placed before the shareholders if it is material in terms of regulation 23(1) of SEBI LODR.
- 5.6.4. Shareholders' approval of omnibus RPTs approved in an Annual General Meeting (AGM) shall be valid up to the date of the next AGM for a period not exceeding fifteen months. In case of omnibus approvals for material RPTs, obtained from shareholders in General Meetings other than AGMs, the validity of such omnibus approvals shall not exceed one year.
- 5.6.5. The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Act, include the following information as a part of the explanatory statement:
- a. A summary of the information provided by the management to the Audit Committee for approval of the RPT;
 - b. Justification for why the proposed transaction is in the interest of the Company;
 - c. The information as provided to the Audit Committee, where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company entity or its subsidiary;
 - d. 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;
 - e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
 - f. The Minimum information required to be provided for review of the Shareholders for approval of RPT as per the ISF Note, as amended from time to time.
 - g. Any other information that may be relevant.

5.7 Ratification of Related Party Transaction(s):

- 5.7.1 The members of the Audit Committee, who are independent directors, may ratify

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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 conditions mentioned in clause (f) of sub-regulation (2) of regulation 23 of SEBI LODR as indicated hereunder:-

- 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 Audit Committee at the time of seeking ratification;
- iv) The details of ratification shall be disclosed along with the disclosures of RPTs in terms of the provisions of regulation 23(9);
- v) Any other condition as specified by the Audit Committee

5.7.2 Failure to seek ratification of the transaction from 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.

6. TRANSACTIONS NOT CONSIDERED AS RELATED PARTY TRANSACTION(S)

6.1 The following shall not be considered as an RPT:

- 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) Sub-division or consolidation of securities;
 - iii) Issuance of securities by way of a rights issue or a bonus issue
 - iv) Buy-back of securities.
- c. Retail purchases from the Company or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors

6.2 The following RPTs need not be put up for approval as permitted under law:

- a. Transactions between the Company and its Wholly Owned Subsidiary (WOS)
- b. Transactions between two WOS of the Company
- c. Remuneration and sitting fees paid by the Company or its subsidiary to its director, KMP

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or SMP, except who is part of promoter or promoter group, shall not require approval of the Audit Committee provided that the same is not material.

7. REPORTING / DISCLOSURE OF RELATED PARTY TRANSACTION(S)

7.1 Appropriate disclosures as required under the Act and the SEBI LODR shall be made in the Annual Report, Website of the Company and to the Stock Exchanges in the prescribed formats. The Company Secretary and the Chief Financial Officer shall be, responsible for such disclosure.

7.2 In connection with review of an RPT, the Committee has authority to modify or waive any procedural requirements of this Policy.

8. MONITORING OF RELATED PARTY TRANSACTION(S)

8.1 The Finance Team shall track the amount of RPTs for which Omnibus approval has been obtained from the Audit Committee on a continuous basis and present a comparative analysis of the same to the Audit Committee on a quarterly basis.

8.2 In case, the amount of the proposed transaction with the related party is expected to exceed the amount under Omnibus approval, the same needs to be approved by the Audit Committee before entering into the transaction subject to the amount not exceeding Rupees One Crore, which can be ratified by the Audit committee within three months from the date of transaction or next Audit Committee Meeting whichever is earlier.

8.3 The Company Secretary shall be responsible to inform the Finance team of any amendments in the regulatory provisions concerning the RPTs.

8.4 The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Act.