



Abbott India Limited
Godrej BKC, Plot C-68, "G" Block,
15-16th Floor, Bandra-Kurla Complex,
Near MCA Club, Bandra (E),
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CIN: L24239MH1944PLC007330

Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions

1. Preamble

- a) The Board of Directors of Abbott India Limited (hereinafter referred to as AIL or the Company) has, pursuant to Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, (the Listing Regulations), adopted the following policy to regulate the transactions between the Company and its Related Parties.
- b) The Policy is applicable to all Related Party Transactions irrespective of their value and size.
- c) This Policy is intended to work in conjunction with statutory provisions and other Company policies including Code of Conduct.

2. Definitions:

- a) **The Act** any reference to the Act in this policy shall mean The Companies Act, 2013 and Rules made thereunder, as amended from time to time;
- b) **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.
- c) **Key Managerial Personnel** in relation to Company means: (i) either or all Chief Executive Officers, Managing Director, Whole Time Director, Manager, (ii) Company Secretary and (iii) Chief Financial Officer.
- d) **Ordinary course of Business** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association. The Board and Audit committee may lay down principles for determining ordinary course of business in accordance with statutory requirements and other industry practices and guidelines.
- e) **Policy** means this Policy on Related Party Transactions.
- f) **Related Party** in relation to the Company, means the related parties as defined in Section 2(76) of the Act, applicable accounting standards and the Listing Regulations.

Further, the following shall be deemed to be a related party:

- i) Any person or entity forming part of the promoter or promoter group of the Company;
or
- ii) Any person or any entity holding equity shares of the Company of ten percent or more directly or on a beneficial interest basis as provided under section 89 of the Act, at any time, during the immediate preceding financial year.



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- g) **Relative** means relative as defined in Section 2(77) of the Act and rules prescribed thereunder.
- h) **Related Party Transaction** means any transaction involving a transfer of resources, services or obligations between:
- i) the Company and a related party, or
 - ii) the Company and any other person or entity, the purpose and effect of which is to benefit a related party of the Company;

regardless of whether a price is charged and a "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

Some examples of related party transactions are given below:

- sale, purchase or supply of any goods or materials;
- 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.

Provided that the following shall not be a related party transaction:

- i) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018;
 - ii) the following corporate actions which are uniformly applicable/ offered to all shareholders in proportion to their shareholding:
 - payment of dividend;
 - subdivision or consolidation of securities;
 - issuance of securities by way of a rights issue or a bonus issue; and
 - buy-back of securities.
 - iii) retail purchases from the Company 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.
- i) **Material Related Party Transaction** means a transaction with a related party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year exceeds rupees one thousand crore or ten percent of the annual turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Notwithstanding the above, a transaction involving payments made to a Related Party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual turnover of the Company as per the last audited financial statements of the Company.



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Material Modifications shall mean and include any modification to an existing related party transaction having variance of 10% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.

3. Interpretation

- a) In any circumstance where the terms of this Policy differ from any existing or enacted law, rule, regulation governing the Company, the law, rule or regulation will take precedence over the provision of this Policy.
- b) The words and expressions used in this Policy unless defined hereunder shall have the meaning assigned to them in the Securities and Exchange Board of India Act, 1992, the Securities Contracts (Regulation) Act, 1956, the Companies Act 2013 or the rules framed thereunder or the SEBI (Issue of Capital and Disclosure Requirements) Regulations or the SEBI (Substantial acquisition of shares and takeovers) regulations including any statutory modification or re-enactment thereof, as the case may be.

4. Approval Process

Approval of the Audit Committee

- a) All Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee. The approval can be sought at the duly convened Audit Committee meeting or through resolution by circulation. Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.
- b) Remuneration and sitting fees paid by the Company 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 material.

Ratification of Related Party Transactions

- c) The members of the audit committee, who are independent directors, may ratify related party transactions 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:
 - 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;
 - the transaction is not material;
 - rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification.

Omnibus approval

- d) The Audit Committee may, subject to applicable regulatory provisions including Companies Act, 2013, the Listing Regulations, and provisions of this policy, grant omnibus approval to Related Party Transactions and subject to satisfaction of the following conditions:



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- The Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;
 - Such related party transactions are repetitive in nature;
 - The omnibus approval shall specify the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, the indicative base price / current contracted price and the formula for variation in the price, if any and such other condition as the Audit Committee may deem fit.
 - Where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.
- e) The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approvals given.
- f) **Validity Period:** Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Approval of Board of Directors

- g) The following Related Party Transactions shall be subject to prior approval of the Board of Directors:
- Related Party Transactions entered into by the Company which are not in its ordinary course of business and/or not on an arm's length basis;
 - If the Audit Committee is of opinion that a particular Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter;
 - Where it is mandatory under any law for Board to approve the Related Party Transactions;
 - Related Party Transactions, in which the directors or the Key Managerial Personnel, are concerned or interested.

Procedure / Criteria for approving the Related Party Transactions

- h) In determining whether to approve a Related Party Transaction, the approving authority, amongst others, will consider the following factors to the extent relevant in the matter:
- Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
 - Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
 - Whether the Related Party Transaction would affect the independence of any independent director or any KMP of the Company;



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- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- Whether the Related Party Transaction would present an improper conflict of interest for any director or KMP of the Company, taking into account the size of the transaction, the overall financial position of the director, executive officer or other Related Party, the direct or indirect nature of the director's, KMPs or other Related Party's interest in the transaction, the ongoing nature of any proposed relationship and any other factor, the Committee deems relevant.
- i) No Director shall participate in any discussion or approval of a contracts or arrangements w.r.t. Related Party Transaction in case such director is concerned or interested.
- j) If necessary, the Independent Directors may seek external professional advice in determining whether a transaction is in the ordinary course of business or at arm's length basis.

k) Approval of Shareholders

- All material related party transactions and subsequent material modifications shall require prior approval of the shareholders of the Company 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.
- In respect of other transactions, other than the Material Related Party Transaction, with the related parties which are not in the Ordinary Course of Business or not on Arms' Length Basis, the Company shall comply with the provisions of the Companies Act 2013 and the Rules framed thereunder and obtain approval of the Board and / or its shareholders, as applicable, for such transactions.

5. Disclosure by the Directors & KMPs

- a) Each Director and Key Managerial Personnel shall disclose to the Company Secretary in Form MBP 1, at the time of appointment, annually and whenever there is any change in the disclosure so made, about all persons, entities firms in which he/ she is interested whether directly or indirectly.
- b) On the basis of the disclosures received by the Company from the Directors and the Key Managerial Personnel the company would update its master file of Related Parties.
- c) On the basis of the disclosures received from the Directors and Key Managerial Personnel and the information available, the CEO, Company Secretary and the CFO shall jointly ensure that the contracts and arrangements w.r.t. the Related Party Transactions are pre-approved by the Audit Committee, the Board of Directors and the shareholders as applicable.

6. Disclosures by the Company

- a) The Company shall submit to the Stock Exchange(s) disclosures of Related Party Transactions every six months on the date of publication of its financial results and publish the same on its website.



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Provided further that the remuneration and sitting fees paid by the Company to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require disclosure provided that the same is not material.

- b) This Policy shall be disclosed on the website of the Company and such web link shall also be provided in the Annual Report.
- c) A summarized statement of all transactions with related party transactions executed during the quarter pursuant to any contract or arrangement approved by the Audit Committee or the Board or the shareholders as applicable shall be submitted to the Audit Committee in regular quarterly meetings for information, review and noting.
- d) Particulars of contracts or arrangements with related parties shall also be disclosed in the Board Report of the Company.

7. Manner of handling related party transactions not approved under this policy

- a) In the event any Director, KMP or any other officer or employee or the Company become aware of any transaction with related party in deviation of this Policy or who becomes aware of any potential Related Party Transaction to be entered into by the Company without following the process prescribed under this Policy, such person shall promptly notify the Company Secretary of such transaction, who shall ensure that such transactions are brought to the notice of the Audit Committee or the Board of Directors as applicable, at the earliest possible time but not later than the first Audit Committee or the Board of Directors meeting held after the date of such intimation.
- b) The Audit Committee and the Board of Directors as applicable, shall consider all relevant facts and circumstances regarding such Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.
- c) In case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this policy (excluding the statutory requirements prescribed under applicable laws).

8. Transactions at arm's length

The Company has laid out a framework to assess whether transactions with related parties are done at an arm's length. Globally accepted practices and principles have been incorporated in the framework. Tests to determine that transactions are in "ordinary course of business" and on an "arms' length basis" are conducted on an ongoing basis.



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9. General

- a) The Policy has been duly approved by the Board of Directors.
- b) The Company Secretary is authorised to amend the Policy to give effect to any changes/ amendments notified by the Ministry of Corporate Affairs or SEBI with respect to Related Party Transactions from time to time.
- c) The Policy shall be reviewed by the Board of Directors at least once every three years.

Version: 1.1, Date of Approval: November 11, 2014
Version: 1.2, Date of Approval: May 18, 2021
Version: 1.3, Date of Approval: February 9, 2022
Version: 1.4, Date of Approval: February 5, 2025