



GlaxoSmithKline Pharmaceuticals Limited

Related Party Transactions Policy

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1. Introduction

The Board of Directors (the “Board”) of GlaxoSmithKline Pharmaceuticals Limited (the “Company”) has adopted the following policy and procedures with regard to Related Party Transactions (“Related Party Transaction (RPT) Policy”), in line with the requirements of Section 188 of Companies Act, 2013 read with Rules made there under (hereinafter referred to as ‘The Act’) and Clause 49 of the Listing Agreement issued by the Securities and Exchange Board of India through its circular no. CIR/CFD/POLICY CELL/7/2014 on 15th September 2014 and subsequent amendments thereto (hereinafter referred to as ‘Clause 49’).

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

2. Purpose

This policy is framed as per requirement of the act and Clause 49 of the Listing Agreement entered by the Company with Bombay Stock Exchange Limited and National Stock Exchange Limited.

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

This includes disclosure to be made each year in Director’s Report about particulars of contracts or arrangements with related parties referred to in sub- Section (1) of Section 188 of Companies Act, 2013 in the prescribed form.

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.

3. Applicability and governing law

The RPT Policy will be applicable to the Company with respect to all Related Party Transactions covered within the scope of Section 188 of the Act and / or Clause 49 of the Listing agreement.

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.

All existing material related party contracts or arrangements as on the date of the SEBI Circular (CIR/CFD/POLICY CELL/2/2014) dated April 17, 2014 which are likely to continue beyond March 31, 2015 shall be placed for approval of the shareholders in the first General Meeting subsequent to October 01, 2014.

This Policy on Related Party Transactions shall be governed by the Companies Act, 2013 read with Rules made there under, as may be in force for the time being as well as Clause 49 of the Listing Agreement or such other Rules/Regulations, as may be notified by SEBI from time to time. Any references to statutory provisions shall be construed as references to those provisions as amended or re-enacted or as their application is modified by other statutory provisions (whether before or after the date hereof) from time to time and shall include any provisions of which they are re-enactments (whether with or without modification).

4. Key Definitions

“**Arm’s Length Transactions**” shall mean the transactions carried out between the Related Parties as if they are not related to each other avoiding the ‘Conflict of Interest’.

“Audit Committee” means Committee of Board of Directors of the Company constituted under provisions of Clause 49 of the Listing Agreement 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. Chief Financial Officer; and
- v. Such other officer as may be prescribed under the Companies Act, 2013.

“Related Party” shall mean a person or entity that is related to the company as defined under section 2(76) of the Companies Act, 2013, or a related party as defined in Accounting Standard 18 (‘Related Party Disclosure’) issued by the Institute of Chartered Accountants of India, or under clause 40(VII) of the revised Listing Agreement with the stock Exchanges as may be amended from time to time.

The definitions of the term “Related Party” as per the above is given in **Annexure A**.

“Relative” means relative as defined under section 2(77) of the companies Act, 2013 and includes anyone who is related to another, if –

- ❖ They are members of a Hindu undivided family;
- ❖ They are husband and wife; or
- ❖ 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)

“Related Party Transaction” shall mean any transaction entered into directly or indirectly with a Related Party, involving a transfer of resources, services or obligations, regardless of whether a price is charged.

“Material Related Party Transaction” is a transaction with a Related Party which shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year **exceed ten percent of the annual consolidated turnover** of the company as per the last audited financial statements of the company.

“Policy” means the policy for dealing with Related Party Transactions.

5. Policy on related party transactions

All Related Party Transactions (before being entered into) must be reported to the Audit Committee for its approval in accordance with this Policy.

The Audit Committee periodically shall review this Policy and may recommend amendments to this Policy from time to time as it deems appropriate.

5.1. Identification of potential related party transactions

Each director and Key Managerial Personnel is responsible for providing Notice to the Board or 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 or Audit Committee may request. The Board shall record the disclosure of Interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

Procedure for identification of potential related parties

The Company Secretary or the Compliance Officer (as the case may be) shall at all times maintain a database of Company's Related Parties containing the names of individuals and Companies, identified on the basis of the definition set forth in the Key Definition section above, along with their personal/company details including any revisions therein.

5.2. Approval of Related Party Transactions

5.2.1. Prior approval of Audit Committee

All Related Party Transactions of the Company as prescribed under the Act and Clause 49 shall require prior approval of Audit Committee, whether at a meeting or by Resolution by circulation.

However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the conditions set forth in Clause 49 of the Listing Agreement. The approval is valid for a period of one year.

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.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- Whether the terms of the Related Party Transaction are fair and on arms 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 an independent director;
- 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 Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and

- Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel 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, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

If the Committee determines that a Related Party Transaction 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 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.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

1. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
2. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
3. 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.

5.2.2. Prior approval of Board of Directors under Companies Act 2013 for transactions not in the ordinary course of business

Transactions with the related parties within the scope of Section 188 of the Act, which are either not in the Ordinary Course of Business or are not at Arms' Length shall require prior approval of the Board of Directors.

The Audit Committee or the Board shall after considering the materials placed before them judge if the transaction is in the ordinary course of business and meets the arm's length requirements.

Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

5.2.3. Shareholders' approval requirements:

Shareholder's approval shall be sought in the following cases as per the requirements of Companies Act 2013:

- Transactions with the related parties covered within the scope of Section 188 of the Act; which are either not in the 'Ordinary Course of Business' or are not on an 'arm's Length Basis' and exceeds the threshold limit under section 188 of the Companies Act 2013 shall also require prior approval of the shareholders through special resolution.

No member of the Company shall vote in a special resolution where a related party contract or arrangement is being considered if such a member is a related party in the context of the contract or arrangement which is being considered.

Shareholder's approval shall be sought in the following cases as per the requirements of Clause 49:

- All Material Related Party Transactions covered within the scope of Clause 49 shall require approval of the shareholders through special resolution. 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.

However, the above shall not be applicable to transactions between holding and its wholly owned subsidiary whose accounts are consolidated with holding company and placed before the shareholders at the general meeting for approval.

5.2.4. Related party transactions not approved under this policy

In the event the Company becomes aware of a Transaction with a Related Party that has not been approved under this Policy prior to its consummation, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Audit Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy. The Audit Committee shall consider all of the relevant facts and circumstances regarding the 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.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc.

In connection with any review/approval of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

5.3. Disclosure of Related Party Policy

This policy shall also be uploaded on the website of the Company at www.gsk-india.com and a web link thereto shall be provided in the Annual Report of the Company.

Annexure A

(A) Definition of “Related Party” as per Companies Act:

A ‘related party’ is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

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 which are as follows:

- (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 or holds along with his relatives, more than two per cent of its paid up share capital ;
- (vi) any body 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 under 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 with reference to a company; or

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:

- a. The entity is a related party under Section 2(76) of the Companies Act, 2013; or
- b. 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
- c. 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
- d. Both entities are joint ventures of the same third party; or
- e. One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
- f. 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
- g. The entity is controlled or jointly controlled by a person identified in (1)
- h. A person identified in (1)(b) has significant influence over the entity (or of a parent of the entity); or

(B) Definition of “Related Party” as per Indian Accounting Standard 18 (Related Party Disclosure) issued by the Institute of Chartered Accountants of India, defines “related parties” as

“Parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.”

Definitions:

Control:

- a) Ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or
- b) Control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or
- c) A substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprises.

Significant influence:

Participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.

(C) Clause 49(VI)(B) of the revised Listed Agreement states that :

“for the purpose of Clause 49(VI), an entity shall be considered as related to the company if:

- (i) Such entity is a related party under section 2(76) of the companies Act,2013 or
- (ii) Such entity is a related party under the applicable accounting standards.
