



Fortis Healthcare Limited

Policy on Related Party Transactions

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POLICY ON RELATED PARTY TRANSACTIONS

INDEX

1. Background.....	3
2. Review and Approval of Related Party Transactions.....	3
3. Policy on dealing with Related Party Transactions.....	5
4. Reporting of Related Party Transactions.....	5
5. Deciding Authority.....	6
6. Limitation.....	6

POLICY ON RELATED PARTY TRANSACTIONS

I. Background

Related-party transactions (RPTs) refer to transactions between a company and its related entities such as subsidiaries, associates, joint ventures, holding companies, directors, Key Managerial Personnel and their relatives, or entities owned or controlled by them or any entity or person belonging to promoter or promoter group of the Company and person holding 20% or more or 10% or more with effect from April 1, 2023, of shareholding in the Company, and/or such other related party as may be defined, from time to time, under the Companies Act, 2013 (“the Act”) or SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 or related amendment/enactment as may be notified from time to time.

¹RPTs also include a transaction involving a transfer of resources, services or obligations between:-

- (i) 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
 - (ii) 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, with effect from April 1, 2023;
- regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract.

The Act, puts responsibility and accountability on the Board of Directors and Key Management Personnel (KMPs) to put systems and processes in place for compliance with legal requirements with regard to execution and approval of RPTs, on a continuous basis. Further, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, or related amendment/enactment, as may be notified from time to time (“Listing Regulations”) as amended from time to time, also specify certain obligations towards dealing with Related Party Transactions.

Accordingly, in context of the above, Fortis Healthcare Limited (“Fortis” or “the Company”) has adopted this Policy on Dealing with Related Party Transactions (“the Policy”).

II. Review and Approval of Related Party Transactions

Fortis has adopted a system of “Pre-clearance” under a pre-decided Approval Matrix² for all proposed Transactions with such Related Parties as listed under the statutory provisions and necessary approvals of Audit Committee/ Board of Directors / Shareholders, as the case may be, are sought in such cases.

All capitalized terms used in this Policy but not defined herein shall have the meaning assigned to such term in the Act and the Rules thereunder and the Listing Regulations, as amended from time to time.

(a) Approval by the Audit Committee:

The Company shall not enter into any related party transactions or subsequent material modification(s) thereto, with any related party without prior approval of the Audit Committee. Further, related party transactions shall be approved by those members of Audit Committee

¹ Regulation 23 of SEBI LODR, 2015, sixth amendment effective from April 1, 2022.

² Please refer Group Authority Matrix adopted by the Company

POLICY ON RELATED PARTY TRANSACTIONS

who are the Independent Directors. Further, any non-material modification in existing RPTs previously approved by the Audit Committee shall be placed before the Audit Committee.

³Further, related party transaction to which the subsidiary is a party but the Company is not a party, shall require prior approval of the Audit Committee if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the Company.

Further, with effect from April 1, 2023, a related party transaction to which the 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 whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the Subsidiary Company.

Exemption: Prior approval of the Audit Committee shall not be required for a related party transaction 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 Listing Regulations are applicable to such listed subsidiary. *Explanation- For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the Audit Committee of the listed subsidiary shall suffice.*

However, prior approval of Audit Committee is not required for RPTs entered into between the Company and its wholly owned subsidiary.

Any member of the Audit Committee who has a potential interest in any such Related Party Transaction will recuse himself or herself and abstain from discussion and voting on the approval of the related party transaction.

The Audit Committee will take into account following considerations while approving the RPTs⁴ :

- a. Type, material terms and particulars of the proposed transaction;
- b. Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction (particular tenure shall be specified);
- d. Value of the proposed transaction;
- e. The percentage of the Company's annual consolidated turnover, for the 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);
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by Company or its subsidiary:
 - i. details of the source of funds in connection with the proposed transaction;
 - ii. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments
 - nature of indebtedness;
 - cost of funds; and
 - tenure

³ SEBI LODR Sixth amendment effective from April 1, 2022.

⁴ SEBI Circular dated November 22, 2021, effective from April 1, 2022.

POLICY ON RELATED PARTY TRANSACTIONS

- iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
- iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g. Justification as to why the RPT is in the interest of the Company;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- j. Any other information that may be relevant.

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

Omnibus approval by Audit Committee

- i) In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Audit Committee may grant omnibus approval on the following criteria:
 - a) The transactions are / shall be frequent / regular / repetitive in nature.
 - b) The transactions are / shall be in ordinary course of business and at arm's length.
 - c) Such other criteria as may be laid down by the Audit Committee.
- ii) While granting the approval the Audit Committee shall satisfy itself of the need for the omnibus approval and that the same is in the interest of the Company.
- iii) The proposal seeking omnibus approval shall specify the following:
 - a) Name of the related party
 - b) Nature of the transaction
 - c) Justification for the need of Omnibus Approval
 - d) Period of the transaction
 - e) Maximum amount of the transactions that can be entered into
 - f) Indicative base price / current contracted price and formula for variation in price, if any
 - g) Such other conditions as the Audit Committee may deem fit.
- iv) Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction.
- v) Further, where the need of the related party transaction cannot be foreseen and all prescribed details are not available, the Audit Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only).
- vi) The Committee shall, on a quarterly basis, review and assess such transactions including the limits thereof, to ensure that they are in compliance with the approval so granted.
- vii) The omnibus approval shall be valid for a period not exceeding one year and fresh approval shall be obtained after expiry of one year.
- viii) The threshold limits for RPTs for granting omnibus approval for each financial year, are as under:

Sr.	Criteria and Limits
1	Maximum value of transactions allowed, in aggregate, under the omnibus route: <ul style="list-style-type: none">- Upto 20% of annual consolidated turnover of the Company as per the last audited financial statement
2	Maximum value allowed per entity/person:

POLICY ON RELATED PARTY TRANSACTIONS

	- Upto 10% of annual consolidated turnover of the Company as per the last audited financial statement
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- ix) Transactions of following nature will not be subject to omnibus approval of the Audit Committee:
- Transactions which are not repetitive in nature;
 - Transactions involving sale or disposal of an undertaking of the Company;
 - Transactions involving sale or disposal or assignment of any significant or critical asset of the Company.

(b) Approval of Board of Directors

The following Related Party Transactions and subsequent modification thereto shall be subject to prior approval of Board of Directors:

- All kinds of transactions with the Related Parties which are not in the ordinary course of business or not executed at an arm's length.
- Transactions which are not approved by the Audit Committee or in the opinion of the Audit Committee need special consideration/determination by the Board, and recommended to the Board for its approval.
- Where it is mandatory under any law for Board to approve the Related Party Transactions.

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 terms as it deems appropriate under the circumstances.

Where any Director is interested in any contract or arrangement entered 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.

(c) Approval of Shareholders of the Company

The following related party transactions shall require prior approval of the shareholders of the Company, in addition to the approval of the Audit Committee or the Board of Directors of the Company or both, as may be applicable:

- related party transactions which are not in ordinary course of business or not on arm's length basis and which cross threshold limits as prescribed under the Companies Act, 2013;
- All material related party transactions or subsequent material modification (s) thereto.
- All non-material related Party transaction(s) which together with any subsequent modification exceeds Rs. 1000 Crores or 10% of annual consolidated turnover, whichever is lower, as per the last audited financial statement.

The minimum information as required under the Companies Act, 2013 and Listing Regulations, as may be notified from time to time, shall be provided to the Shareholders for their approval.

III. Policy on Materiality of Related Party Transactions

A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs.

POLICY ON RELATED PARTY TRANSACTIONS

⁵1000 Crores or 10% of the annual consolidated turnover of the Company, whichever is lower, as per the last audited financial statements of the Company.

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 5% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

⁶For the purpose of Clause II of this Policy “Material modification” shall mean:

- i) For Material Related Party Transaction(s)- any modification/change previously approved by the shareholders;
- ii) For non-material related party transaction(s)- variance of 10% of the existing limit as may be approved by the Audit Committee / Board, as the case may be.

IV. Reporting of Related Party Transactions

- a) Every contract or arrangement, approved by the Board/Shareholders under this Policy, shall be referred to in the Board’s Report to the Shareholders along with the justification for entering into such contract or arrangement.
- b) The details of material related party transactions will be included in the Corporate Governance Reports which are required to be submitted to the Stock Exchanges on a quarterly basis.
- c) The details of materially significant related party transactions that may have potential conflict with the interests of Company, to be included in the Corporate Governance Report which forms part of the Annual Report.
- d) The details of related party transactions on a consolidated basis would be submitted to the stock exchanges and published on the Company’s website on a half-yearly basis within such period as may be specified under SEBI Listing Regulations from time to time.

V. Deciding Authority

In the event the Company becomes aware of any inadvertent non-adherence of any provision of this Policy, such instance shall be placed as promptly as practicable, before the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding such instance and shall evaluate all options available to the Company and decide accordingly. In connection with review of any such instance, the Audit Committee shall have authority to modify or waive any procedural requirements of this Policy, in compliance with applicable regulations.

In case of any difference in the meaning / interpretation of any provision in the Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such case shall be final. In interpreting such term / provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it may deem fit.

VI. Limitation

In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments or rules, the provisions of such Act or Listing Regulations or statutory enactments or rules, shall prevail over this Policy.

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⁵ SEBI LODR Sixth amendment effective from April 1, 2022

⁶ SEBI LODR Sixth amendment effective from April 1, 2022.