

**Godrej Consumer Products Limited
RELATED PARTY TRANSACTION POLICY**

Effective date		October 1, 2014
Version Control		
1.0	September 30, 2014	Approved by the Audit Committee and the Board of Directors
2.0	January 27, 2016	Modified by the Audit Committee and the Board of Directors to incorporate amendments to the rules under the Companies Act, 2013
3.0	January 29, 2019	Modified by the Audit Committee and the Board of Directors to <i>inter alia</i> incorporate amendments in Listing Regulations
4.0	January 29, 2020	Modified by the Audit Committee and the Board of Directors to <i>inter alia</i> incorporate amendments brought in by SEBI Listing Regulations
5.0	May 19, 2022	Modified by the Audit Committee and the Board of Directors to <i>inter alia</i> incorporate amendments brought in Listing Regulations
6.0	August 7, 2024	Reviewed by the Board of Directors
7.0	January 23, 2026	Modified by the Audit Committee and the Board of Directors to <i>inter alia</i> incorporate amendments brought in SEBI Listing Regulations.

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1 Background and context:

The regulatory framework governing related party transactions in India is prescribed under the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) (including any modification(s) / amendment(s) / re-enactment(s) thereto]. With a view to strengthen corporate governance standards and enhancing transparency, these regulations have expanded the scope of related party relationships and introduced comprehensive requirements in relation to approvals, disclosures and monitoring of related party transactions.

In the context of the above, the Board of Directors (the “Board”) of Godrej Consumer Products Limited (“GCPL”) has adopted this Related Party Transactions Policy (“Policy”) which sets out the principles, approval mechanisms and disclosure requirements applicable to transactions with Related Parties. This Policy has been framed to ensure compliance with applicable laws and to promote transparency, fairness and accountability in dealings with related parties.

The policy shall be applicable to the Company effective October 1, 2014. This policy aims to comply with the provisions of the Company Act, 2013 and Rules framed thereunder and SEBI Listing Regulations.

2 Definition:

- **“Policy”** means Related Party Transaction Policy.
- **“Audit Committee or Committee”** means “Audit Committee” constituted by the Board of Directors of the Company under provisions of SEBI Listing Regulations and Companies Act, 2013, from time to time.
- **“Board of Directors” or “Board”** means the Board of Directors of GCPL, as constituted from time to time.
- **“Key Managerial Personnel” or “Key Management Personnel”** means Key Managerial Personnel as defined under the Companies Act, 2013 and the Rules framed thereunder.
- **“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 the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.
- **“Related Party”** means a related party as defined under the Companies Act, 2013 and Regulation 2(1)(zb) of the SEBI Listing Regulations, as amended from time to time.
- **“Relative”** means a relative as defined under Section 2(77) of the Companies Act, 2013 and Regulation 2(1)(zd) of the SEBI Listing Regulations, as amended from time to time.

- **“Associate Company”** in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation—For the purposes of this clause, “significant influence” means control of at least 20% (twenty per cent) of total share capital, or of business decisions under an agreement.

The term Joint Venture shall mean only jointly controlled entities.

- A **“Related Party Transaction”** shall mean such transactions as specified under the Companies Act, 2013 and Regulation 2(1)(zc) of the SEBI Listing Regulations including any amendment or modification thereof, as may be applicable.
- **“Material Related Party Transaction”** means any transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds the thresholds specified in Schedule XII of SEBI Listing Regulations (Attached to this Policy).
- **“Material Modifications”** shall mean an amendment to the terms and conditions of the contract, an extension of tenure, waiver of rights and obligations, variation in any payment rights, security interest, novation of parties, the addition of parties, the financial implication of which would have the effect, by an amount Rs.10 Crore (Ten Crore) in a financial year or 20% (Twenty per cent) whichever is higher, to the limit as approved by the Audit Committee or by an amount Rs.100 Crore (One Hundred Crore) in a financial year or 20% (twenty per cent) whichever is higher, to the limit as approved by the Members of the company as the case may be.

Notwithstanding the above, the following events shall be deemed to be material modifications:

- a) In case of a loan or deposit or any other means of funding including securities and guarantees given, any deviation in the objects or purposes for which the loan or deposit was given or funding was made or received or securities and guarantees given;
- b) In case of any other transaction or agreement, any amendment which will have the effect of:
 - (i) renewing or extending the term of the transaction or agreement for a period exceeding three years, except for completion of any surviving obligations.
 - (ii) ceasing the terms of the contract at arms' length
 - (iii) Any novation (substitution of old agreement with new one) of the contract or arrangement to a third party
 - (iv) the claims of the party being subordinated

3 **Policy:**

All Related Party Transactions must be reported to the Audit Committee for its approval in accordance with this Policy.

3.1 **Identification of Potential Related Party Transactions**

- Each director and Key Managerial Personnel is responsible for providing Notice to the Company Secretary of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Board/Audit Committee may request, for

being placed before the Audit Committee and the Board. 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 at least 10 (ten) days in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

3.2 Review and approval of related party transaction by the Audit Committee

- Every Related Party Transaction and subsequent material modification shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by circulation, except transactions with wholly owned subsidiaries which requires only approval (and not prior approval) of the Audit Committee. Any member of the 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.
- Only those members of the audit committee, who are independent directors, shall review and, if appropriate, approve related party transactions. Accordingly, all estimated and recurring Related Party Transactions expected to be entered into during any financial year shall, to the extent feasible, be approved in advance, including through omnibus approval, before the commencement of the relevant financial year, in accordance with Regulation 23 of the SEBI Listing Regulations. Any further modification shall be approved by the Audit Committee. The management shall place before the Audit Committee such information, documents and disclosures as may be required under applicable law, including the SEBI Listing Regulations, and such guidelines, circulars, standards or directions as may be issued by SEBI or the stock exchanges from time to time, to enable the Audit Committee to effectively review and approve Related Party Transactions.
- In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant and grant an omnibus approval to the Related Party Transaction which are repetitive in nature and proposed to be entered into by the company or its subsidiary:
 - i. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
 - ii. 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;
 - iii. Audit Committee may refer to SA 550, Related parties issued by ICAI which *inter alia* suggests the following to determine whether the transactions are at an arm's length:
 - a. Comparison of the terms with those of an identical or similar transaction with one or more unrelated parties;
 - b. Comparison of the terms to known market terms for identical or similar transactions; and
 - c. In making the comparison, consideration should be given not only to the price but also to other terms and conditions, for example, credit terms, contingencies, specific charges

- iv. The Audit committee shall determine whether the transaction is in the ordinary course of business with the help of the following parameters drawn from judicial precedents like reasonability of transaction in the context of business, whether it is necessary, normal and incidental to the business, customary and happen with certain frequency etc.
- v. Whether the Related Party Transaction would affect the independence of the directors/KMP;
- vi. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- vii. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company; and
- viii. 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.

- 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 Rs.1 Crore (Rupees One Crore) per transaction.
- If any material information with respect to such transactions shall change subsequent to the Committee's review of such transactions, management shall provide the Committee with updated information at a subsequent meeting and will get the changes approved afresh by the Committee.
- If any additional Related Party Transactions are proposed to be entered into subsequent to the Committee's first meeting in the financial year, management shall present such transactions to the Committee for approval.
- Audit Committee shall review, on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- Related party transaction above Rs. 1 Crore (Rupees One Crore), whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary of GCPL is a party but GCPL is not a party, shall require prior approval of the audit committee of GCPL if the value of such transaction, exceeds lower of the thresholds as mentioned in Regulation 23 of the SEBI Listing Regulations read with Schedule XII to the said regulations.
- The Audit Committee shall periodically, and at least on an annual basis, review the status and performance of long-term (exceeding one year) and recurring Related Party Transactions.

- Any Material Modification to the Related Party Transaction by the Company or its subsidiary shall require prior approval of the Audit Committee of the Company.
- Any Material Modification to the Material Related Party Transaction by the Company or its subsidiary shall require prior approval of the Members of the Company.

3.3 Approval of transactions by the Board of Directors

- The Audit Committee shall report all “Material Related-Party Transactions & subsequent Material Modifications” to the Board of Directors. Unless exempted, the Company shall seek prior approval of shareholders for “Material Related-Party Transactions and subsequent Material Modifications”.
- The Audit Committee shall, while reviewing Related Party Transactions, assess whether such transactions are in the ordinary course of business and on an arm’s length basis. Where the Audit Committee is unable to arrive at a conclusion, the matter shall be referred to the Board of Directors for its determination.
- Transactions covered under Section 188 of the Companies Act, 2013, which are not in the ordinary course of business and not on an arm’s length basis, shall require prior approval of the Board of Directors and, where applicable, prior approval of the shareholders of the Company
 - a) sale, purchase or supply of any goods or materials;
 - b) selling or otherwise disposing of, or buying, property of any kind;
 - c) leasing of property of any kind;
 - d) availing or rendering of any services;
 - e) appointment of any agent for purchase or sale of goods, materials, services or property;
 - f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
 - g) underwriting the subscription of any securities or derivatives thereof, of the company
- Any Director who is concerned or interested in a Related Party Transaction shall disclose their interest and shall abstain from discussion and voting on the relevant resolution.

3.4 Shareholders' Approval

- The Audit Committee shall report all “Material Related Party Transactions” to the Board of Directors. Material Related Party Transactions means Related Party Transactions which exceed the thresholds specified in Schedule XII of the SEBI Listing Regulations.
- For the transactions involving payments made to a related party with respect to brand usage or royalty, Shareholders' approval (majority of minority) is required for the transactions exceeding 5% of the consolidated turnover as per the last audited financial statements.
- The Company shall seek prior approval of the shareholders for Material Related Party Transactions, in accordance with the SEBI Listing Regulations and no related party shall vote to approve such resolution, irrespective of whether such related party is a party to the particular transaction or not.

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- All Related Party Transactions, other than Material Related Party Transactions, which are not in the ordinary course of business and not on an arm's length basis, shall require approval of the shareholders in accordance with Section 188 of the Companies Act, 2013, if the applicable thresholds prescribed thereunder are exceeded. The related parties interested in such contract or arrangement shall abstain from voting on the relevant resolution.

The specified thresholds are as listed below:

Sr. No.	Prescribed Transaction Category	Companies Act, 2013 – Thresholds for Shareholder Approval under Section 188 (applicable only if not in ordinary course and not at arm's length)	Thresholds for Material Related Party Transactions and subsequent Material Modifications as per the SEBI Listing Regulations
1	<i>Sale, purchase or supply of any goods or materials (directly or through appointment of agents)</i>	<i>10% or more of the turnover of the company</i>	<i>Exceeds the thresholds specified in Schedule XII of SEBI Listing Regulations</i>
2	<i>Selling or otherwise disposing of, or buying, property of any kind (directly or through appointment of agents)</i>	<i>10% or more of the net worth of the company</i>	
3	<i>Leasing of property of any kind</i>	<i>10% or more of the turnover of the company</i>	
4	<i>Availing or rendering of any services directly or through appointment of agents</i>	<i>10% or more of the turnover of the company</i>	
5	<i>Appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration</i>	<i>At a monthly remuneration exceeding Rs. 2.5 lakh</i>	
6	<i>Remuneration for underwriting the subscription of any securities or derivatives thereof of the company</i>	<i>1% of the net worth</i>	

Notes:

- The above thresholds shall apply to transactions entered into individually or taken together with previous transactions with the same related party during a financial year.
- Where a transaction qualifies as a Related Party Transaction under both the Companies Act, 2013 and the SEBI Listing Regulations, the stricter approval, disclosure and compliance requirement, as applicable, shall be followed.

In addition to the requirements under the Companies Act, 2013, the notice sent to the shareholders seeking approval for a Related Party Transaction shall include such information and disclosures as may be required under applicable law, including the SEBI Listing Regulations, and such regulatory guidelines, circulars or directions as may be issued by SEBI or the stock exchanges from time to time, to enable shareholders to make an informed decision.

3.5 Related Party Transactions not approved under this Policy

- In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy prior to its consummation, the same shall be placed before the Audit Committee for review. The Audit Committee shall consider all relevant facts and circumstances relating to such transaction and may evaluate appropriate remedial actions, including modification or termination of the transaction, or ratification strictly in accordance with applicable law, where permitted.
- The Audit Committee shall also examine the reasons for failure to report such Related Party Transaction under this Policy and any inadequacy in internal control systems, and shall take such corrective or disciplinary action as it deems appropriate to strengthen compliance and prevent recurrence.

4 Reporting requirements:

- Disclosure will be made in the Company's Annual Report of the particulars of the contract and arrangement along with the justification for entering into such contracts / arrangements with the Related-parties as part of Directors' Report. Form AOC 2 prescribes the manner in which disclosure is to be made in the Director's Report.
- The Company shall also disclose Related Party Transactions, in the format prescribed under the SEBI Listing Regulations, **on a half-yearly basis**, simultaneously with the publication of its financial results, and shall submit the same to the stock exchanges within the timelines prescribed under SEBI Listing Regulations.

5 Notice to the reader:

- In case of any amendment to this Policy arising due to any regulatory amendment/revision/omission/changes in the requirements of the Companies Act, 2013, SEBI Listing Regulations or any other applicable rules or regulations as may be in force, the Executive Chairperson and / or Managing Director & CEO be and are hereby severally authorized to suitably amend this policy to make it consistent with the prevailing laws. Such amendments to the policy will be noted by the Audit Committee and the Board of Directors, as may be felt necessary.
- In case of any subsequent changes in the provisions of the Companies Act 2013 or any other regulations which makes any of the provisions in the policy inconsistent with the Act or regulations, then the provisions of the Act or regulations shall prevail over this Policy, and this Policy shall be amended accordingly to give effect to such changes.

Schedule XII: RELATED PARTY TRANSACTIONS**[See Regulation 23(1)]**

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 the following:

Consolidated Turnover of Listed Entity Threshold	Threshold
(I) Up to ₹20,000 Crore	10% of the annual consolidated turnover of the listed entity
(II) More than ₹20,000 Crore to upto ₹40,000 Crore	₹2,000 Crore + 5% of the annual consolidated turnover of the listed entity above ₹20,000 Crore
(III) More than ₹40,000 Crore	₹3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above ₹40,000 Crore or ₹5000 Crores, whichever is lower.

Explanation: For the purpose of computing the thresholds stated above, the annual consolidated turnover of the listed entity shall be determined based on the last audited financial statements of the listed entity.

Illustration 1. For listed entities in (II)	
If the annual consolidated turnover of a listed entity is ₹30,000 Crore	₹2,000 Crore + 5% of the remaining ₹10,000 Crore = ₹2,500 Crore.
Illustration 2. For listed entities in (III)	
If the annual consolidated turnover of a listed entity is ₹50,000 Crore	₹3,000 Crore + 2.5% of the remaining ₹10,000 Crore = ₹3,250 Crore.
Illustration 3. For listed entities in (III)	
If the annual consolidated turnover of a listed entity is ₹1,50,000 Crore	₹3,000 Crore + 2.5% of the remaining ₹1,10,000 Crore = ₹5,750 Crore. However, threshold for material related party transaction would be ₹5,000 Crore as it is lower than ₹5,750 Crore.