

CADILA PHARMACEUTICALS
LIMITED.

CODE OF CONDUCT
INDEPENDENT DIRECTOR

Independent Director:

Section 149 of the Companies Act, 2013 mandates on Listed and certain other class of Companies to appoint Independent Directors . (CPL needs to appoint two Independent Directors)

The Company should prepare Code for Independent Directors.

Code of Conduct for Independent Directors:

This code is a professional conduct guideline for Independent Directors on the Board of Directors of the Company. Adherence to these standards by Independent Directors and fulfilment of their responsibilities in a professional and faithful manner will promote confidence of various stakeholders including the investment community.

Implementation of best Corporate Governance practices by Independent Directors enhances the Company's governance and management efficiency, improves its image and contributes to the overall growth of the Company's shareholders value.

This code is for specific use of the company and its Independent Directors.

This code takes into account the Principles of Corporate Governance and other Corporate Governance practices. The code takes into account the specific legal compliance for the Independent Directors of the Companies, as per the Act and also applicable laws and rules.

This code is a live document intended to be improved and amended based on best practices and evolving practices on Independent Directors in due course.

Subject to the requirement of applicable laws, compliance with this code is compulsory for all Independent Directors on the Board of Directors of the Company.

GUIDELINES FOR PROFESSIONAL CONDUCT:

An Independent Director shall:

- 1) Uphold ethical standards of integrity and probity;
- 2) Act objectively and constructively while exercising his duties;
- 3) Exercise his responsibilities in a bona fide manner in the interest of the Company;
- 4) Devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- 5) Not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;

- 6) Not abuse his position to the detriment of the Company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- 7) Refrain from any action that would lead to loss of his independence;
- 8) Where circumstances arise which make an Independent Director lose his independence, the Independent Director must immediately inform the Board accordingly;
- 9) Assist the company in implementing the best Corporate Governance Practice.

Board definition of what constitutes Independence for Directors

For a Director to be considered Independent, the Board determines that the Director does not have any direct or indirect material pecuniary relationship with the Company. The Board has adopted guidelines to determine independence, which are in line with the applicable legal requirements as stated below. The Company also obtains an undertaking from every

Apart from the provisions laid out under the Listing Agreement, the Board also considers all relevant facts and circumstances, not merely from the standpoint of the Director but also from that of persons or organizations with which the Director has an affiliation, in forming an opinion on the independence of the concerned Director(s).

In order to avoid any conflict of interest, the Board discourages any kind of transaction, material or not, with its independent members. In case the Company is required to enter into such a transaction with a Director or any person associated with him, the Board follows a strict procedure as laid down in its policy for “Code of Business Conduct and Ethics for Directors and Senior Management” of the Company to ensure that the transaction is at arm’s length and in the best interest of the Company.

Meetings of Independent Directors

The Independent Directors of the Company shall meet from time to time as they may deem appropriate. These meetings will be conducted without the presence of Executive Directors or management personnel. These meetings would be conducted in an informal, flexible manner to enable the Independent Directors to discuss various matters pertaining to the affairs of the Company and put forth their views to the Lead Independent Director. The Lead Independent Director shall take appropriate steps to present such views before the CMD or the Board. These meetings could be held prior to or after Board meetings. The Independent Directors are free to call for such meetings at any point of time, as desired.

These discussions may include such other topics as the Independent Directors deem fit. The proceedings of such meetings may not form part of Company records.

The Board believes that these meetings are critical to ensure highest degree of involvement and contribution from Independent Directors in the decision making process of the Company.

The Independent Directors of the Company designate one amongst themselves as a Lead Independent Director. The Lead Independent Director is the spokesperson of the Independent Directors. The Lead Independent Director will hold office till such time as may be decided by the Independent Directors. The Executive Directors will not participate in the selection of the Lead Independent Director. Role of the Lead Independent Director is explained in the section 1.4 of this Manual.

Principles of corporate governance require Independent Directors to review the overall strategy, oversee the performance of management and participate and arrive at an independent judgement. Their key role is to provide an unbiased, independent, varied and experienced perspective to the Board.

Role of Independent Director:

The responsibilities of Independent Directors collectively or through their Committees include:

To be well informed

The Independent Directors are expected to be well informed about the Company and have an adequate understanding of the business environment in which the Company operates.

Provide strategic direction

The Independent Directors are required to contribute to Board matters in a varied and informed manner and to act as a constructive critic in looking at the objectives and plans of the executive management.

Oversee the performance of the management

The Independent Directors are responsible for monitoring the performance of senior management with regard to ensuring that the determined strategies and objectives of the Company are achieved.

Ensure accuracy of accounts and books of the Company

It is the responsibility of the Independent Directors to ensure that the Company's accounts present a true and fair picture of its business and financial performance. This includes selection of the statutory and internal auditors, review of the annual audit plan, audit reports, the accuracy of internal controls and compliance with applicable legal requirements and other codes adopted by the Company. This role is performed through the Audit Committee comprising a team of Independent Directors.

Review the remuneration package for the Executive and Non-Executive Directors

Remuneration Committee reviews the remuneration for the Executive Directors on a periodic basis. The Board has entrusted the CGSI Committee with review of the compensation of Non-Executive Directors.

Protect the interest of all stakeholders

Independent Directors should ensure that decisions are taken in the best interests of the Company and all its stakeholders.

Uphold the highest standards of integrity and probity in the interests of the Company.

The Lead Independent Director has the responsibility:

- To preside over all meetings of Independent Directors;
- To ensure that there is adequate and timely flow of information to Independent Directors;
- To liaise between the CMD, the management and the Independent Directors;
- To advise on the necessity of retention or otherwise of consultants who report directly to the Board or the Independent Directors;
- To preside in meetings of the Board and shareholders when CMD is not present or where CMD is the interested party;
- To perform such other duties as may be delegated to the Lead Independent Director by the Board / Independent Directors.

MANNER OF APPOINTMENT

- 1) Appointment process of Independent Directors shall be independent of the Company management; while selecting Independent Directors the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively.
- 2) The appointment of Independent Directors of the Company shall be approved at the meeting of the shareholders.
- 3) The explanatory statement attached to the notice of the meeting for approving the appointment of Independent Director shall include a statement that in the opinion of the Board, the Independent Director proposed to be appointed fulfils the conditions specified in the Act and the rules made there under and that the proposed Director is Independent of the management.
- 4) The appointment of Independent Director shall be formalised through a letter of appointment, which shall set out:

- a) The term of appointment;
 - b) The expectation of the Board from the appointed Director; the Board Level Committee(s) which the director is expected to serve and its tasks;
 - c) The fiduciary duties that come with such an appointment along with accompanying liabilities;
 - d) Provision for Directors and Officers (D & O) Insurance, if any;
 - e) The Code of Business Ethics that the Company expects its Directors and Employees to follow;
 - f) The list of actions that a Director should not do while functioning as such in the Company; and
 - g) The remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.
- 5) The terms and conditions of appointment of Independent Directors shall be open for inspection at the registered office of the Company by any member during normal Business hours.
- 6) The terms and conditions of appointment of Independent Directors shall also be posted on company's website.

RE-APPOINTMENT

The re-appointment of Independent Director shall be on the basis of report of performance evaluation conducted by the Nomination and Remuneration Committee of the Board and the Board itself.

RESIGNATION OR REMOVAL

- 1) The resignation or removal of an Independent Director shall be in the same manner as is provided in sections 168 and 169 of the Act.
- 2) An Independent Director who resigns or is removed from the Board of the Company shall be replaced by a new Independent Director within a period of not more than 180 (One Hundred and eighty days) from the date of such resignation or removal, as the case may be.
- 3) Where the company fulfils the requirement of Independent Directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new Independent Director shall not apply.

SEPARATE MEETINGS

- 1) The Independent Directors of the Company shall hold at least one meeting in a year without the attendance of Non-Independent Directors and members of management;
- 2) All the Independent Directors of the Company shall strive to be present at such meeting;
- 3) The meeting shall:
 - a) Review the performance of Non-Independent Directors and the Board as a whole;
 - b) Review the performance of the Chairperson of the Company, taking into account the views of Executive Directors and Non-Executive Directors;
 - c) Assess the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

EVALUATION MECHANISM

- 1) The performance evaluation of Independent Directors shall be done by the entire Board of Directors, excluding the Director being evaluated.
- 2) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the Independent Director.