



Proxy Advisory Report (Addendum) Cipla Ltd

BSE Code: 500087 | NSE Symbol: CIPLA | ISIN: INE059A01026

Sector: Pharmaceuticals | Meeting Type: Postal Ballot

Notice Date: 29th January, 2021

e-Voting Platform: [KFintech](#)

Cut-Off date to be eligible for voting: 5th February, 2021

e-Voting Period: From 24th February, 2021 to 25th March, 2021

Voting Deadline: 25th March, 2021

Notice: [Click here](#) | Annual Report: [FY 2019-20](#) | Proxy Advisory Report: [Click here](#)

Company's Email/Secretarial Email: cosecretary@cipla.com

Company's Phone: +91 22 2482 6000

Company's Registered Office: Cipla House, Peninsula Business Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai - 400 013

Analyst: Sandesh Shetty

ADDENDUM

This Addendum is being issued in response to e-mail dated 12th March 2021, received by SES from Cipla Ltd ('the Company') w.r.t. Proxy Advisory Report (PA Report) issued by SES in relation to the Postal Ballot of the Company having e-voting deadline on 25th March, 2021.

There is no change in SES recommendation.

BACKGROUND

SES, as per its policy, had emailed its PA Report on 10th March, 2021 to the Company relating to its Postal Ballot.

Post release of PA Report, SES received email (which is reproduced at the end of this addendum) from the Company in response to the comment made by SES regarding **non-disclosure of information related to transferability of ESARs** in the notice of the ongoing Postal Ballot.

It may be noted that the email of the Company (as per SES policy framed to comply with SEBI Circular dated 3rd August, 2020) has already been forwarded to SES clients as it is, without any inputs from SES on 12th March, 2021. This Addendum provides appropriate response of SES wherever required.

SES COMMENTS ON COMPANY'S RESPONSE

SES has made a comment regarding transferability of ESARs as '**Not disclosed**' in its PA Report since the Company has not disclosed the same in the notice of the Postal ballot.

Although, there is no specific statutory disclosure requirement regarding transferability of options, SES is of the opinion that **as a good governance and disclosure practice the Company should disclose such information in the notice itself** for the information of the shareholders.

The Company through its mail has provided clarification that, the transferability clause is mentioned in the 'Cipla Employee Stock Appreciation Rights Scheme 2021 ('Scheme'), which is open for inspection by the members.

The transferability clause is as follows:

"ESARs shall not be transferable to any person except in the event of death of the ESAR Grantee or inability to exercise due to Permanent Disability."

SES is of the view that instead of asking shareholders for inspection, the Company must place such documents on its website and share a weblink of the same in the Notice. This way every shareholder can have access to the documents just at a click of a button.

Shareholders may take note of the email of the Company.



COMPANY'S E-MAIL DATED 12TH MARCH, 2021 TO SES

From: ***

Date: Fri, Mar 12, 2021 at 2:40 PM

Subject: RE: SES - Proxy Advisory Report - Cipla Limited

To: SES Governance <research@sesgovernance.com>, info@sesgovernance.com <info@sesgovernance.com>

Dear Sandesh,

Basis our telecom discussion, pursuant to Regulation 6(2) of SEBI (Share Based Employee Benefits) Regulations, 2014 (SEBI SBEB Regulation) there is no specific statutory disclosure requirement for transferability of options in the explanatory statement and resolution of shareholder notice, therefore there is no specific mention in shareholder notice. However, under the Cipla Employee Stock Appreciation Rights Scheme 2021 ('Scheme'), which is open for inspection by the members, the same has been mentioned. The extract of the clause under the Scheme covering transferability of options is as follow.

- ESARs shall not be transferable to any person except in the event of death of the ESAR Grantee or inability to exercise due to Permanent Disability.

Further, under Regulation 9(1) SEBI (Share Based Employee Benefits) Regulations, 2014, as reproduced below states for non- transferability of options except in case of death or inability to exercise.

- Regulation 9(1) - Option, SAR or any other benefit granted to an employee under the regulations shall not be transferable to any person.

The shareholder notice when read in conjunction with the ESAR Scheme which is open for inspection, covers transferability of options, which is in line with SEBI SBEB Regulations.

Request you to kindly update your comment on "Transferability of options" from "Not disclosed" to "Disclosed in Cipla Employee Stock Appreciation Rights Scheme 2021 document, which is open for inspection"

Regards



Disclaimer**Sources**

Only publicly available data has been used while making the report. Our data sources include Notice of Shareholders' Meeting, BSE, NSE, SEBI, Capitaline, MCA, Moneycontrol, Businessweek, Reuters, Annual Reports, IPO Documents and Company Website.

Analyst Certification

The Analyst(s) involved in development of this Report certify that no part of the Research Analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the Research Analyst(s) in this Report. The concerned Research Analyst(s) and Director(s) do not have any pecuniary relationship with the Reported Company, except that they may be holding miniscule shares in the Company which does not impact their independence in respect of this Report.

SES may be a shareholder in the Company holding equity shares as disclosed on its [website](#). The objective of SES' investment is solely to obtain Shareholders' communications from the Company as a shareholder.

CAUTIONARY STATEMENT

The recommendations made by SES are based on publicly available information and conform to SES's stated Proxy-Advisory Guidelines. SES opinion is based on SES's interpretation of law and governance benchmarks, which may differ from opinion/benchmarks of other analysts or practitioners. Further, SES analysis is recommendatory in nature and reflects how SES would have voted if it was a shareholder. Therefore, SES expects that the clients will evaluate the effect of their vote on their investments independently and diligently and will vote accordingly. Subscribers may also carry out an impact analysis of their votes and keep the same as an addendum for their records. In our opinion, Institutional investors are positioned significantly differently from other shareholders due to their ability to engage the board and the management to bring out desired result. As a firm, it is our endeavour to improve the level of corporate governance while not causing any disruption in company's proceedings and therefore we respect the independence of investors to choose alternate methods to achieve similar results.

Disclaimer

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All disputes shall be subject to jurisdiction of High Court of Bombay, Mumbai.

Concern terminology

C - Compliance: The Company has not met statutory compliance requirements

F - Fairness: The Company has proposed steps which may lead to undue advantage to a particular class of shareholders and can have adverse impact on non-controlling shareholders including minority shareholders

G - Governance: SES questions the governance practices of the Company. The Company may have complied with the statutory requirements in letter. However, SES finds governance issues as per its standards.

T - Disclosures & Transparency: The Company has not made adequate disclosures necessary for shareholders to make an informed decision. The Company has intentionally or unintentionally kept the shareholders in dark.

Company Information

SEBI Reg. No. INH000000016

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