



# **Energy Development Company Limited**

## **Policy on Related Party Transactions**

### **1. The Policy**

The Board of Directors (the “Board”) of Energy Development Company Limited (the “Company”) has adopted this Policy upon the recommendation of the Audit Committee and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions (“Policy”) in compliance with the requirements of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations, 2015”). Amendments, from time to time, to the Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee.

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

### **2. Objective of the Policy**

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

### **3. Definitions and Applicability**

All capitalised terms used in this policy document but not defined herein shall have the meaning prescribed to such term in the Companies Act, 2013 and the Rules framed there under and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

This policy is applicable to Energy Development Company Limited.



#### **4. Dealing with Related Party Transactions**

Related Party Transactions are prohibited, unless approved or ratified by the Audit Committee and / or the Board of Directors of the Company in accordance with this policy. In dealing with Related Party Transactions, the Company will follow the following approach:

##### **I. Identification of Related Party Transactions**

- (a) All Related Party Transactions must be brought to the notice of the Audit Committee of the Company. Such notice of any potential Related Party Transaction should be given well in advance so that there is adequate time to obtain and review information about the proposed transaction and to refer it to the Audit Committee.
- (b) Every director/ Key Managerial Personnel of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such meeting.
- (c) Where any director/ Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of Board held after he becomes so concerned or interested.
- (d) A contract or arrangement entered into by the company without disclosure or with participation by a Director / Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Company.

##### **II. Review and Approval of Related Party Transactions**

All Related Party Transactions shall be approved or ratified by the Audit Committee of the Company in accordance with this Policy.

Unless otherwise stated in this Policy, all Related Party Transactions require prior approval of the Audit Committee of the Company. All Related Party Transactions must be reported



by the Chief Financial Officer, Head of Accounts Department for approval or ratification by the Audit Committee in accordance with this Policy.

The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely:

- (a) Maximum value of transactions, in aggregate, which can be allowed under the omnibus route in a year;
- (b) Maximum value per transaction which can be allowed;
- (c) Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
- (d) Review of RPTs at such intervals as the Audit Committee may deem fit, entered into by the Company pursuant to each of the omnibus approval made;
- (e) Transactions which cannot be subject to omnibus approval by the Audit Committee.

Based on the aforementioned criteria, the Audit Committee may, in the interest of the conduct of affairs of the Company, grant omnibus approval to Related Party Transactions that are repetitive in nature.

Such omnibus approval will be granted to the transactions which, in addition to meeting the above criteria, also satisfy the following considerations:

- (a) The transaction in question is necessary to be executed as it is in the business interest of the Company;
- (b) The requisite information is presented to the Audit Committee's satisfaction, to confirm that the transaction is at Arm's Length and in Ordinary course of business;
- (c) Such omnibus approval shall specify
  - i. the name/s of the Related Party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
  - ii. the indicative value and the formula for variation in the value, if any and
  - iii. such other conditions as the Audit Committee may deem fit;

Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

The Audit Committee shall, on time to time, review the details of the Related Party Transactions entered into by the Company pursuant to the omnibus approval.



In an unforeseen event where a Related Party Transaction, for which Omnibus approval has not been given by the Audit Committee, needs to be entered due to business exigencies between two Audit Committee meetings, the Audit Committee may approve such Related Party Transaction by passing a resolution by circulation, after satisfying itself that such transaction is in the interest of the Company.

Ratification, if any, of a Related Party Transaction after its commencement or completion will be approved by the Audit Committee, as it may deem fit.

A Related Party Transaction entered into without prior approval of the Audit Committee shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Audit Committee for ratification as promptly as reasonably practical after it is entered into and such transaction is ratified.

Any Member of the Audit Committee, who has a potential interest in any Related Party Transaction, will recuse himself or herself and abstain from voting on the approval or ratification of such Related Party Transaction. Such Member may, however, participate in discussions with respect to other Related Party Transactions placed for approval or ratification of the Audit Committee.

All Related Party Transactions that are not in the ordinary course of business or not on arm's length basis shall be referred to the Board of Directors for their approval. Any Member of the Board who has a potential interest in such Related Party Transaction will recuse himself or herself and abstain from voting on the approval of such Related Party Transaction. Such Member may, however, participate in discussions with respect to other Related Party Transactions placed for approval of the Board.

Any such Related Party Transactions shall also be placed for prior approval of shareholders if it exceeds the thresholds as prescribed under the Companies Act, 2013 and the Rules made there under and the Listing Regulations, 2015.

All entities falling under the definition of Related Parties shall not vote to approve the Related Party Transaction irrespective of whether the entity is a party to the particular transaction or not.



### **III. Related Party Transactions that shall not require Approval**

Following transactions shall not require separate approval under this policy:

- (a) Any transaction pertaining to appointment and remuneration of Directors and KMPs that has already been approved by the Nomination and Remuneration Committee of the Company or the Board;
- (b) Transactions that have been approved by the Board under the specific provisions of the Companies Act, e.g. inter-corporate deposits, borrowings, investments with or in wholly owned subsidiaries or other Related Parties;
- (c) Payment of Dividend;
- (d) Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off, approved by the Board and carried out in accordance with the specific provisions of the Companies Act, 2013 or the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (e) Contribution to Corporate Social Responsibility (CSR), subject to approval of CSR Committee and within the overall limits approved by the Board of Directors of the Company.

### **5. Material Related Party Transaction**

All Material Related Party Transactions shall be placed for prior approval of shareholders through Special Resolution. The Company has fixed the following materiality threshold for the purposes of Companies Act, 2013 and SEBI Listing Regulations, 2015:

- (a) Transactions with a Related Party covered under Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, shall be governed by the respective limits provided under the said rules.
- (b) For other type of transactions with a Related Party, the materiality threshold shall be 10% of the annual consolidated turnover of the Company as per its last audited financial statements.
- (c) For payment to a Related Party with respect to brand usage or royalty, materiality threshold shall be as per limits specified under the Listing Regulations, 2015 as amended from time to time.



However, the Material Related Party Transactions entered between the Company and its wholly owned subsidiaries shall not require prior approval of shareholders.

The Policy on Related Party Transaction and its threshold limits shall be reviewed by the Board of Directors of the Company once in every three years and updated accordingly.

#### **6. Disclosure(s)**

Details of all Related Parties Transactions on a consolidated basis shall be disclosed, on a half yearly basis, along with the half yearly standalone and consolidated financial statements, to the Stock Exchanges.

The Company shall disclose the Policy on Related Party Transaction on its website and provide weblink in the Annual Report. In addition to the disclosures required under Accounting Standard, Related Party Transactions that are not at arm's length basis and Material Related Party Transactions that are at arm's length or such other transactions as may be statutorily required, shall be disclosed in the Annual Report of the Company.

#### **7. Amendments to the Policy**

The Audit Committee of the Company shall review the Policy atleast once in three years and may amend this Policy from time to time, subject to the approval of the Board of Directors of the Company.

Any or all provisions of this policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications, etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions hereunder and this policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.

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Effective from 01.04.2020