

RELATED PARTY TRANSACTIONS POLICY

Edelweiss Finance & Investments Limited

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Introduction

In accordance with the provisions of the circular Nos. RBI/2014-15/299 DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014 on Revised Regulatory Framework for NBFC and RBI/2014-15/552 DNBR (PD) CC.No. 029/ 03.10.001/ 2014-15 dated April 10, 2015 issued by the Reserve Bank of India (“the Circulars”), the Board of Directors of ECL Finance Limited (“the Company”) has adopted the Related Party Transactions Policy (“the Policy”).

The Policy governs the transactions with the Related Parties keeping in view the potential or actual conflict of interest which may arise upon the transactions entered into by the Company with the Related Parties and whether such transactions are consistent with the interest of the Company and its members.

Objective/Purpose

The Policy is framed in accordance with the provisions of the Circulars.

The Related Party Transactions shall be entered into by the Company, in accordance with the Policy.

DEFINITIONS

The Related Party shall be as defined under the Companies Act, 2013 and the Rules framed thereunder and the applicable Accounting Standards.

Relative: - A person shall be deemed to be the relative of another if he or she is related to another in any one of the following manner:

- (i) Member of the Hindu Undivided Family
- (ii) Spouse
- (iii) Father
- (iv) Mother
- (v) Son
- (vi) Son’s wife
- (vii) Daughter
- (viii) Daughter’s husband
- (ix) Brother
- (x) Sister.

Key Managerial Personnel (KMP) shall mean:-

- (i) the Managing Director or the Chief Executive Officer or the manager and in their absence, a Whole-time Director;
- (ii) the Company Secretary;
- (iii) the Chief Financial Officer; and
- (iv) Such other person as may be specified as KMP 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 twenty per cent of total share capital, or of business decisions under an agreement.

“Related Party Transactions” means any transaction involving transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged.

A transaction with a Related Party shall be deemed to include single transaction or a group of transactions in a contract.

“Material Related Party Transactions” means any transaction/transactions to be entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

Review and approval of the Related Party Transactions

1. The Audit Committee (the Committee) of the Board shall review and, if considered appropriate, approve the Related Party Transactions. While considering the Related Party Transactions, the following information shall be presented to the Committee:
 - (i) the name of the Related Party and the basis on which such person or entity is a Related Party;
 - (ii) the Related Party’s interest in the transactions, including the Related Party’s position or relationship with, or ownership of, any entity that has an interest in the transactions;

- (iii) the approximate monetary value of the transactions of the Related Party's interest in the transactions;
- (iv) general description of the transactions, including material terms and conditions, if any;
- (v) in the case of a lease or other transactions, providing for periodic payments or installments, the aggregate amount of all periodic payments or installments to be made;
- (vi) in the case of loan, the aggregate amount of loan and the rate/amount of interest payable on such loan;
- (vii) in case of guarantees issued, the aggregate amount of guarantees and commission, if any, to be payable on such guarantees;
- (viii) an assessment of whether the transactions are on terms that are comparable with the terms available to unrelated parties or to the employees generally; and
- (ix) any other material information regarding the transactions or the Related Party's interest in the transactions.

The transactions shall be approved only if it is determined by the Committee that such transactions are:

- (i) in the best interests of the Company and its shareholders;
- (ii) to be entered into by the Company (or its subsidiary or associate entity) on terms that are comparable to those that would be obtained in arm's length transactions with unrelated parties; and
- (iii) In the ordinary course of the business of the Company.

"Ordinary course of business for this purpose will cover the businesses of Edelweiss Company and usual transactions, customs and practices of a business and would include activities to be carried out incidental to or to facilitate the business of Edelweiss Company and is usual or customary to the Company and/or providing the necessary support (financial or otherwise) to the subsidiaries.

2. No member of the Committee shall participate in the review, consideration or approval of any Related Party Transactions with respect to which such member or any of his/her relative is a Related Party.
3. If any material information with respect to such transactions shall change subsequent to the Committee's review of such transactions, the Committee shall be presented with the updated information for its approval.
4. If any additional Related Party Transactions is proposed to be entered into subsequent to the Committee's approval, management shall present such transactions to the Committee for approval before entering into such transactions.

Approval of the Board and the Shareholders

Where the transaction is between the Company and the Wholly Owned Subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval, no approval is required.

The approval of the Board and the shareholders shall be obtained as and when applicable.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee, Board and/or Shareholders, as the case may be:

- i. Any transaction that involves the providing of compensation to a Director or KMP in connection with his/her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- ii. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

Omnibus Approval of the Audit Committee

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- (i) The Committee shall lay down the criteria for granting the omnibus approval in line with the Policy and such approval shall be applicable in respect of transactions which are repetitive in nature;

- (ii) The Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- (iii) Such omnibus approval shall specify:-
 - a) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
 - b) the indicative base price / current contracted price and the formula for variation in the price if any, and
 - c) such other conditions as the Audit Committee may deem fit;

Provided that 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 per transaction.

- d) The Committee shall review, at least on a quarterly basis, the details of the Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given;
- e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Related Party Transactions not approved under the Policy

In the event of entering into a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under the Policy, and shall take any such action it may deem fit.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements as specified in the Policy.

Related Party Transactions not previously approved

Where any contract or arrangement is entered into by a Director or any other employee of the Company with a Related Party, without obtaining the necessary approvals and if such transaction is not ratified by the Committee, Board or, as the case may be, by the Shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract/arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a Related Party to any Director, or is authorised by any other Director, the Directors concerned shall indemnify the Company against any loss incurred by it.

The Company may proceed against a Director or any other employee who had entered into such contract or arrangement in contravention of the Policy for recovery of any loss sustained by the Company as a result of such contract or arrangement and shall take any such action, it may deem fit.

Registers and the Disclosures

The Company shall keep and maintain a Register, physically or electronically, as may be decided by the Board of Directors, giving separately the particulars of all contracts or arrangements to which the Policy applies.

Every Director and the KMP shall, from time to time make the necessary disclosures to the Board, a period of 30 days of his appointment, or relinquishment of his office in other Companies/Firms/bodies corporate, as the case may be, disclose to the Company the particulars relating to his/her concern or interest in the other associations which are required to be included in the Register maintained in this regard.

The Register shall be preserved permanently and shall be kept in the custody of the Company Secretary/Chief Financial Officer of the Company or any other person authorised by the Board for the purpose.

This Policy will also be uploaded on the website of the Company and shall be disclosed in the Annual Report.

Review

This Policy is framed in accordance with the Circulars.

This Policy shall be reviewed by the Audit Committee as and when any changes are to be made in the Policy. Any changes or modification in the Policy as recommended by the Committee shall be presented to the Board for their approval.