



## **RELATED PARTY TRANSACTIONS POLICY**

### **1. PREAMBLE**

The Related Party ("RP") relationships are normal in business and accordingly the transactions with RPs may arise in the normal course of business. A policy on Related Party Transaction ("RPT") is required to bring in a process and transparency in such transactions. Thus, the Board of Directors of the Company ("Board") has formulated this policy with regard to RPTs.

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. PURPOSE**

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the Company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 ("Act") read with the Rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Regulation 23") as amended from time to time, DME Development Limited (Company) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23(1) of the SEBI Listing Regulations requires the company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In the light of the above, the Company has framed this Policy on Related Party Transactions ("Policy"). This Policy has been adopted by the Board of Directors of the Company.

### **3. DEFINITIONS**

**"Act"** means the Companies Act, 2013 as amended from time to time;

**"Arm's Length Transaction"** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest;

**"Board of Directors" or "Board"** means the collective body of the Directors of the Company, as constituted from time to time, in line with the provisions of the Act and SEBI Listing Regulations.

**"Company"** means DME Development Limited;

**"Listing Regulations"** means SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended from time to time;



**“Ordinary Course of Business”** means transaction will be considered in ordinary course if they are entered in the normal course of the business pursuant to the objects of the Company as per the Memorandum & Articles of the Company. The Board may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines;

**“Relative”** means a relative as defined under the Companies Act, 2013 or rules made thereunder and LODR, as amended from time to time;

**“Related Party”** shall have the meaning as defined in Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI Listing Regulations.

**“Transaction”** with a related party shall be construed to include a single transaction or a group of transactions.

**“Related Party Transaction”** shall mean such transactions as specified under the provisions of the Companies Act, 2013 & LODR including any amendment or modification thereof, as may be applicable.

**“Material Related Party Transaction”** means a transaction with a Related Party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1,000 crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

In case of transaction involving payment to a Related Party for brand usage or royalty, it will be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

**“Key Managerial Personnel” or “KMP”** shall have the meaning as defined under Section 2(51) of the Companies Act, 2013 and as amended from time to time.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation and as amended from time to time.

#### **4. MATERIALITY THRESHOLDS**

Regulation 23 of the SEBI Listing Regulations requires a Company to provide materiality thresholds for transactions with its related party. In an event, a Related Party Transaction, breaches the materiality threshold, prior approval of the shareholders of the Company will be required through resolution. Prior approval of shareholders is also required in case of any subsequent material modifications to the Related Party Transactions. None of the related parties of the Company shall vote to approve on such resolution irrespective of whether the entity is a related party to the particular transaction or not (RP's can cast only negative vote to reject the shareholders resolution on material RPT).



## 5. IDENTIFICATION OF RELATED PARTIES & TRANSACTIONS

- A. The Company Secretary shall be responsible to maintain an updated database of information pertaining to Related Parties reflecting details of –
- i. All Directors and Key Managerial Personnel;
  - ii. All individuals, partnership firms, Companies and other persons as declared and updated by Directors and Key Managerial Personnel;
  - iii. Company's holding company, subsidiary companies and associate companies, if any;
  - iv. Subsidiaries of holding company, if any;
  - v. Director or Key Managerial Personnel of the holding company or their Relatives, if any;
  - vi. All the Group entities;
  - vii. Any person or entity belonging to the promoter or promoter group of the Company or any person or any entity holding equity shares of the Company of twenty per cent or more (ten per cent or more, with effect from April 1, 2023), either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 2013, at any time; and
  - viii. Any other entity which is a Related Party as defined under Section 2(76) of the Companies Act, 2013 read with Clauses of LODR or the relevant Accounting Standard.
- B. The database shall be updated whenever necessary and shall be reviewed at least once a year jointly by the Company Secretary and Chief Financial Officer.
- C. Before the start of each financial year, the Company shall draw up a list of Related Party(s) in accordance with the definition given in LODR. Any changes in the list during the financial year shall be made as and when the Company receives information in this regard.
- D. Every Director, Key Managerial Personnel, Leadership Team Members, Head of Departments (HODs) and other officers authorized to enter into contracts/ arrangements will be responsible for providing prior Notice to the Company Secretary of any potential Related Party Transaction and subsequent material modifications thereto. They will also be responsible for providing additional information about the transaction that the Board/Committee may request, for being placed before the Committee and the Board.
- E. The RPTs should be in conformity with the prevailing rules and regulations prescribed by law.
- F. Besides the above, the Company will also identify other Related Parties as required under the Companies Act, 2013 and Clauses mentioned under the LODR.
- G. Any transaction by the Company with a Related Party will be regulated as per this Policy.



- H. The functional/business heads, Chief Financial Officer, Company Secretary shall have access to the updated database.
- I. The Company Secretary in consultation with the Chief Financial Officer may refer any potential related party transaction to any external legal/transfer pricing expert and the outcome or opinion of such exercise shall be brought to the notice of the Audit Committee. Based on this Notice, the Company Secretary will take it up for necessary approvals under this Policy.

## 6. APPROVAL OF AUDIT COMMITTEE FOR RELATED PARTY TRANSACTION

- **Prior approval of the Audit Committee shall be required for:**

1. All Related Party Transactions and subsequent material modifications as defined by the Audit Committee;
2. RPTs where subsidiary is a party but the Company is not a party and the transaction amount exceeds subject to threshold of 10% of the standalone turnover of the subsidiary w.e.f. April 1, 2023

Further, the Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

- **Prior approval of the Audit Committee shall not be required for:**

- i. Related Party Transactions, where the listed subsidiary is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.
- ii. Related Party Transactions of unlisted subsidiaries of the Company, where the prior approval of the audit committee of the listed subsidiary is obtained.
- iii. transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- iv. transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

## 7. OMNIBUS APPROVAL

The Audit Committee may grant prior omnibus approval for RPT proposed to be entered into by DME Development Limited under section 177(4)(iv) of the Act read with rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014, and regulation 23(3) of the SEBI (LODR) Regulations provided it is satisfied that there is a need to grant such approval and such approval is in the interest of the Company. It shall be taken for all transactions proposed to be undertaken during the next Financial Year, before the start of such Financial Year. Such approval may be granted by Audit Committee for the proposed transaction after considering the following criteria's of the transaction:



- i) Repetitive in nature;
- ii) Sufficient details shall be provided to the Audit Committee such as the
  - name/s of the related party,
  - nature of transaction
  - period of transaction
  - maximum amount of transaction that can be entered into
  - the indicative base price / current contracted price and the formula for variation in the price if any and
  - Such other conditions as the Audit Committee may deem fit.

Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given. Further, such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of the financial year.

In accordance with SEBI (LODR), following transactions are exempted from the requirements of obtaining the approval from Audit Committee/ Board:

- (i) Transactions entered into by the company with other government companies;
- (ii) Transactions entered into between the company and its wholly owned subsidiary or between two wholly owned subsidiaries of the company whose accounts are consolidated with the company and placed before the shareholders at the annual general meeting for approval.
- (iii) Transactions entered into between two wholly-owned subsidiaries of the company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

## **8. APPROVAL OF BOARD OF DIRECTORS FOR RELATED PARTY TRANSACTIONS**

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval. In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- a) Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval;
- b) Transactions meeting the materiality thresholds.

## **9. APPROVAL OF THE SHAREHOLDERS FOR RELATED PARTY TRANSACTIONS**

If a related party transaction is

- (i) a material transaction as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, or
- (ii) not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Companies Act, 2013, it shall require shareholders' approval by a special resolution and all the Related Parties shall abstain from voting on such resolution(s).



All the related parties shall not vote to approve the relevant transactions irrespective of whether such related party is a party to the particular transaction or not.

- **Ordinary Course of Business:**

While assessing a proposal put up before the Board for approval, Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- (i) Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- (ii) Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- (iii) Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
- (iv) Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- (v) Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
  - market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
  - third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
  - management assessment of pricing terms and business justification for the proposed transaction;
  - comparative analysis, if any, of other such transaction entered into by the company.

## **10. DISCLOSURES**

- The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or not at arm's length basis along with the justification for entering into such transaction.
- The Company shall provide all the information as specified by the SEBI from time to time in the explanatory statement in the notice being sent to shareholders seeking approval of proposed RPTs.
- The Company shall provide disclosure of the Related Party Transactions in the format as specified by the SEBI from time to time, to the stock exchanges and upload on company's website, every six months.
- The Company shall provide disclosure on 'Loans and advances' in the nature of loans to firms/companies in which directors are interested by name and amount' in the Corporate Governance Report.



## **11. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Board. The Board shall consider all 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 Board shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Board under this Policy and failure of the internal control systems and shall take any such action it deems appropriate.

In any case, where the Board determines not to ratify a related party transaction that has been commenced without approval, the Board, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation by the defaulting person (as may be decided by the Board) to the related party or the Company as the case may be, etc. In connection with any review/approval of a related party transaction, the Board has the authority to modify or waive any procedural requirements of this Policy.

## **12. AMENDMENTS IN LAW**

Any subsequent amendment/modification in the Act and the Regulations and/or other applicable laws in this regard shall automatically apply to this Policy.

This Policy will be communicated to all operational employees and other concerned persons of the Company.