

# **Panasonic**

Panasonic Energy India Company Limited

Related Party Transaction Policy

*Version 1.0*

*Effective from October 1<sup>st</sup> 2014*

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## 1. Introduction

### 1.1. Applicability

- 1.1.1. The Board of Directors (“the Board”) of Panasonic Energy India Company Limited (“the Company” or “PEICL”), has adopted the following policy with regard to Related Party Transactions as defined below.
- 1.1.2. This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company. Audit Committee shall determine the procedure to be followed in order to comply with the Policy. The Board may review and amend this Policy and the Audit Committee may review and amend procedures required to comply with the Policy from time to time.
- 1.1.3. The Policy shall be effective from October 1, 2014 and the same shall be applicable to all prospective transactions. All existing material contracts or arrangements or transactions with Related Party which are likely to continue beyond March 31, 2015 shall be placed for approval of the shareholders in the first General Meeting subsequent to October 1, 2014.

### 1.2. Purpose

- 1.2.1. This policy is framed as per requirement of Section 188 of the Companies Act as well as Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.
- 1.2.2. The Company is required to disclose each year in the Financial Statements transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties. The policy also seeks to ensure that related party transactions are appropriately reported to the regulatory authorities and are also in compliance with other regulatory requirements like the Income Tax Act, 1961, the Accounting Standards, etc.

## 2. Interpretation

### 2.1. Definitions

- 2.1.1. **“Annual Turnover”** and **“Annual Consolidated Turnover”** means turnover of the Company as reflected in the Audited Financial Statements of the preceding Financial Year on standalone and consolidated basis respectively;
- 2.1.2. **“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;
- 2.1.3. **“Arm’s Length Price”** means a price which is applied or proposed to be applied in a transaction between two unrelated persons;
- 2.1.4. **“Associate”** means an enterprise in which the Company has a significant influence, but which is not a subsidiary company of the Company having such influence and includes a joint venture and the term “Associate Company” shall be interpreted accordingly.
- 2.1.5. **“Audit Committee” or “Committee”** means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and the Companies Act, 2013;
- 2.1.6. **“Board”** means Board of Directors of the Company;
- 2.1.7. **“Chief Executive Officer”** means an officer of the Company, who has been designated as such by it;
- 2.1.8. **“Chief Financial Officer”** means a person appointed as the Chief Financial Officer of the Company;
- 2.1.9. **“Company Secretary”** means a person who is appointed by the Company to perform the functions of the company secretary under the Companies Act, 2013;
- 2.1.10. **“Influential Person”** means an individual who has control or joint control or significant influence over the entity in reference;
- 2.1.11. **“Key Managerial Personnel”** means -
- (a) the Chief Executive Officer or the Managing Director or the Manager;
  - (b) the Company Secretary;
  - (c) the whole-time director;
  - (d) the Chief Financial Officer;
  - (e) such other officer as may be prescribed under Section 2(51) of the Companies Act, 2013.
- 2.1.12. **“Manager”** means an individual who, subject to the superintendence, control and direction of the Board of Directors, has the management of the whole, or substantially the whole, of

the affairs of a company, and includes a director or any other person occupying the position of a manager, by whatever name called, whether under a contract of service or not;

2.1.13. **“Material Related Party Transaction”** means a transaction with a related party if –

- (a) the transaction(s) to be entered into with an entity (other than its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval) exceeds 10% of the annual consolidated turnover of the Company; or
- (b) the transaction(s) to be entered into, other than transactions entered into by the Company in its ordinary course of business if the same are on an arm’s length basis, is in relation to —
  - (a) sale, purchase or supply of any goods or materials, directly or through appointment of agent exceeding 10% of the annual turnover of the Company or Rs. 100 crores, whichever is lower; or
  - (b) selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agent, exceeding 10% of net worth of the company or Rs. 100 crores, whichever is lower; or
  - (c) leasing of property of any kind exceeding 10% of the net worth of the Company or 10% of the annual turnover of the Company or Rs. 100 crore, whichever is lower; or
  - (d) availing or rendering of any services, directly or through appointment of agent, exceeding 10% of the annual turnover of the Company or Rs. 50 crore, whichever is lower, or
  - (e) appointment to any office or place of profit in the Company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees; or
  - (f) underwriting the subscription of any securities or derivatives thereof, of the Company exceeding 1% of the net worth.

2.1.14. **“Net worth”** means net worth of the Company computed in accordance with Section 2(57) of the Companies Act, 2013 based on the Audited Financial Statements of the preceding Financial Year;

2.1.15. **“Policy”** means Related Party Transaction Policy;

2.1.16. **“Related Party”** means -

- (a) a director or his relative;
- (b) a key managerial personnel or his relative;
- (c) an influential person or his relative;

- (d) a firm, in which a director, manager or his relative is a partner ;
- (e) a private company in which a director or manager is a member or director ;
- (f) a public company in which a director or manager is a director or holds along with his relatives, more than two per cent of its paid-up share capital ;
- (g) any body corporate whose Board of Directors, managing director, or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager unless the advice, directions or instructions are given in a professional capacity;
- (h) any person under whose advice, directions or instructions a director or manager is accustomed to act unless the advice, directions or instructions are given in a professional capacity;
- (i) enterprises over which any person described in (b) or (c) is able to exercise significant influence
- (j) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company (this includes holding companies, subsidiaries and fellow subsidiaries);
- (k) director or key managerial personnel of the holding company or his relative;
- (l) an associate of the Company;
- (m) a person in relation to which the Company is an associate;
- (n) any other person that may be prescribed under Section 2(76) of the Companies Act, 2013;
- (o) any other entity which is a related party under the applicable accounting standards.

2.1.17. **“Related Party Transaction”** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged and it also includes any transaction specified in Section 188 of the Companies Act, 2013.

2.1.18. **“Relative”** means relative as defined under the Companies Act, 2013 and includes anyone who is related to another in any of the following manner –

- (a) they are members of a Hindu Undivided Family ;
- (b) they are husband and wife ;
- (c) father (including step-father)
- (d) mother (including step-mother)
- (e) son (including step-son)
- (f) son’s wife
- (g) daughter

- (h) daughter's husband
- (i) brother ( including step-brother); or
- (j) sister (including step-sister)

2.1.19. **“RPT Process”** means detailed procedure approved and amended from time to time by the Audit Committee in order to ensure compliance with the Policy.

2.1.20. **“Specified Related Party Transaction”** means transaction with a Related Party if –

- (a) the transaction(s) to be entered into with an entity (other than its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval) exceeds 10% of the annual consolidated turnover of the Company; or
- (b) the transaction(s) to be entered into, other than transactions entered into by the Company in its ordinary course of business and the same are on an arm's length basis, is in relation to—
  - (a) sale, purchase or supply of any goods or materials;
  - (b) selling or otherwise disposing of, or buying, property of any kind;
  - (c) leasing of property of any kind;
  - (d) availing or rendering of any services;
  - (e) appointment of any agent for purchase or sale of goods, materials, services or property;
  - (f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
  - (g) underwriting the subscription of any sec securities or derivatives thereof, of the company:

2.1.21. **“Transaction”** with a Related Party shall be construed to include any contract or arrangement or transaction, whether single or as a group of transaction and for the purpose of applying thresholds laid down in this Policy it shall include previous transaction(s) during the financial year with the said Related Party;

2.1.22. **“Whole-time Director”** includes a director in the whole-time employment of the company.

## 2.2. Interpretation

2.2.1. Whether a person or entity exercises “significant influence” over the other entity would need to be determined after taking into consideration totality of all the relevant consideration and therefore quantitative thresholds cannot be prescribed. Significant influence may be exercised in several ways, for example, by representation on the board of directors, participation in the policy making process, material inter-company transactions, interchange of managerial personnel, or dependence on technical information. Significant influence may be gained by share ownership, statute or agreement. As regards share ownership, if a person or entity holds, directly or indirectly through intermediaries, 20 per cent or more of the

voting power of the enterprise, it is presumed that the investing party does have significant influence. However, a person or entity having less than 20 per cent voting power may also be in a position to exercise significant influence and therefore it should be evaluated after considering all other relevant factors.

- 2.2.2. Any term not defined in the Policy shall have the same meaning assigned to it under the Companies Act, 2013 or the Listing Agreement or SEBI Guidelines or relevant Accounting Standard and preference should be given to the meaning assigned to such term under the Companies Act, 2013 as compared to other source of interpretation.
- 2.2.3. The policy has been framed to maintain highest standard of corporate governance and therefore interpretation of any matter in this Policy should be consistent with the objectives for introducing such requirements in the Companies Act, 2013 or the Listing Agreement.



## 3. Related Party Transaction Policy

### 3.1. Policy

- 3.1.1. All Related Party Transactions must be reported to the Audit Committee and referred for prior approval by the Committee in accordance with this Policy. Where any director is considered interested in any transaction with Related Party, such director shall not be present at the meeting during discussions and voting on the subject matter of the resolution relating to such transaction. However, the Audit Committee may grant omnibus approval for the Related Party Transactions proposed to be entered into by the Company in accordance with Para 3.5 of this Policy.
- 3.1.2. Upon approval by the Audit Committee, Specified Related Party Transactions must be referred to the Board for prior approval in accordance with this Policy. Where any director is considered interested in any transaction with Related Party, such director shall not be present at the meeting during discussions and voting on the subject matter of the resolution relating to such transaction.
- 3.1.3. Upon approval by the Audit Committee / Board, all Material Related Party Transactions shall require prior approval of the shareholders through special resolution. No member of the Company shall vote on such special resolution, to approve any transaction which may be entered into by the Company, if such member is a Related Party, irrespective of whether the member is a party to the particular transaction or not.
- 3.1.4. Any Related Party shall not be eligible for appointment as auditor (including internal auditor, cost auditor, secretarial auditor, etc.) of the Company.
- 3.1.5. In case where Companies Act, 2013 or the Listing Agreement or SEBI Guidelines or any other statutory requirement is more stringent (i.e. contains additional approvals or restrictions or disclosures or intimations) in relation to any transaction then the requirements contained in the respective statute shall also be required to be fulfilled and observed in addition to compliance with this Policy.

### 3.2. Identification of Related Parties

- 3.2.1. Every Director, Key Managerial Personnel and Influential Person is responsible to declare any person or entity that would be regarded as Related Party for the Company in accordance with this Policy on account of his being director or key managerial personnel of the Company. Such declaration shall include disclosure of his (and his relative's) concern or interest in any company or companies or bodies corporate, firms or such other association of individuals which shall include the shareholding, directorship, membership, partnership, etc.
- 3.2.2. Company Secretary shall identify other persons or entities that would be regarded as Related Parties on account of their relationship as mentioned in clause (j) to (o) of Para 2.1.16 on a quarterly basis based on the information available with him or after making enquiries as may be necessary.

- 3.2.3. Company Secretary shall prepare a comprehensive List of Related Parties based on the information received from Director, Key Managerial Personnel, Influential Person and other persons or entities identified by him. Such list shall be updated on a quarterly basis, or more frequently if need arise, and circulated to all the persons having authorities to carry out any transactions so that the Policy can be adhered to.
- 3.2.4. Audit Committee shall determine the procedure to be followed for declaration as well as compilation and circulation of the comprehensive List of Related Parties.

### **3.3. Identification of Potential Related Party Transactions**

- 3.3.1. Every officer of the Company entrusted with the authority to enter into any transaction shall be responsible for providing notice to the Board or Audit Committee, through Secretarial Department of any potential Related Party Transaction involving the Company and the Related Party listed in the comprehensive list prepared and circulated by the Company Secretary. Board / Audit Committee, through Secretarial Department, will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.
- 3.3.2. It is strongly preferred to receive notice of any potential Related Party Transaction well in advance so that the Audit Committee / Board has adequate time to obtain and review information about the proposed transaction.

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

- 3.4.1. All Related Party Transactions will be referred to the next meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction shall not be present at the meeting during discussions and voting on the subject matter of the resolution relating to such transaction.
- 3.4.2. However, in case where the Audit Committee has granted Omnibus Approval for the Related Party Transactions proposed to be entered into by the Company in accordance with Para 3.5 of this Policy, prior approval of Audit Committee for each such transaction shall not be required.
- 3.4.3. To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:
  - (a) Whether the terms of the Related Party Transaction are fair and on arms' length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;

- (b) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- (c) Whether the Related Party Transaction would affect the independence of an independent director;
- (d) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- (e) Whether the Audit Committee or the Board, through Secretarial Department, was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- (f) Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board / Committee deems relevant.

3.4.4. In case the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then also the same shall be referred to the Board for approval and the process set forth in Para 3.6 shall apply to such transaction as well.

3.4.5. Audit Committee shall determine the RPT Process, which shall include the procedure to be followed and details to be submitted by various officers in order to enable the Company to comply with this Policy.

### **3.5. Omnibus Approval by Audit Committee**

3.5.1. Audit Committee may grant omnibus approval in respect of Related Party Transactions which are repetitive in nature. Audit Committee shall lay down the criteria for granting the Omnibus Approval in accordance with this Policy.

3.5.2. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company.

3.5.3. Such Omnibus Approval shall specify –

- (i) the name of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
- (ii) the indicative base price / current contracted price and the formula for variation in the price, if any, and

(iii) such other conditions as the Audit Committee may deem fit;

3.5.4. In case 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.

3.5.5. Audit Committee shall review on a quarterly basis the details of Related Party Transactions entered into by the Company pursuant to each of the Omnibus Approval given. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

### **3.6. Additional Review and Approval of Specified Related Party Transactions**

3.6.1. Upon approval by the Audit Committee, if the proposed transaction is Specified Related Party Transaction as defined in Para 2.1.18, the same will be referred to the next meeting of the Board for review and prior approval. Upon submission for the approval by the Board, the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

3.6.2. The Board may seek further information or clarification as may be necessary for them to reach to the conclusion on the matter. Any member of the Board who has a potential interest in any Related Party Transaction shall not be present at the meeting during discussions and voting on the subject matter of the resolution relating to such transaction.

### **3.7. Additional Review and Approval of Material Related Party Transactions**

3.7.1. Upon approval by the Board, if the proposed transaction is Material Related Party Transaction as defined in Para 2.1.11, the same will be placed for approval of the shareholders by special resolution during the next General Meeting.

3.7.2. The shareholders shall be provided with the relevant information regarding the proposed Related Party Transaction in Explanatory Statement to be annexed to the notice of General Meeting so as to enable the shareholders to take decision on the same. After discussion in the General Meeting, the shareholders may pass special resolution, with such modification as may be necessary or appropriate as they may deem fit.

3.7.3. No member of the Company shall vote on such special resolution, to approve any transaction which may be entered into by the Company, if such member is a Related Party, irrespective of whether the member is a party to the particular transaction or not.

### **3.8. Related Party Transactions not approved under this Policy**

3.8.1. In the event the Company becomes aware of 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 / Board. The Committee / Board shall consider all of 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 / Board shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

- 3.8.2. In any case, where the Committee / Board determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee / Board, 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 / Board has authority to modify or waive any procedural requirements of this Policy.

### 3.9. Exceptions

- 3.9.1. Approvals of Audit Committee / Board of Directors / Shareholders under this Policy shall not be applicable in following cases:

- (a) Transaction entered into by the Company with wholly owned subsidiary, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval, if –
  - (i) the transaction is in the Company's ordinary course of business and the same is on an arm's length basis; or
  - (ii) the transaction pertains to making investment in or granting of loan or issuance of guarantee on behalf of such wholly owned subsidiary
- (b) Any transaction that involves the providing of compensation to a director in connection with his or her duties to the Company
- (c) 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.

### 3.10. Implementation

- 3.10.1. This Policy will be communicated to all concerned employees and other persons of the Company and the same shall be effective from October 1, 2014.
- 3.10.2. Audit Committee shall determine the procedure to be followed in order to comply with the Policy and the same will be communicated to all concerned employees and other persons of the Company.