Inox Clean Energy Limited

Policy on Materiality of Related Party Transactions

1. Preface

The Board of Directors (the "Board") of Inox Clean Energy Limited (the "Company") has adopted the following Policy (the "Policy") to determine Materiality of Related Party Transaction and also dealing with Related Party Transactions.

The Policy has been formulated in order to comply the provisions of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the applicable provisions of the Companies Act, 2013.

2. Objective

This Policy has been framed to provide the governance framework for Related Party Transactions to be entered into by the Company with the Related Parties in terms of the provisions of the Companies Act, 2013 ("Act") and the Rules framed thereunder and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations") and to set out the thresholds for related party transactions.

3. Definitions

All the definition mentioned in this policy shall be pursuant to the Companies Act 2013 and SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 including all the amendments and modification thereof from time to time.

a) Arms' Length Transactions

"Arms' Length Transaction" shall mean **"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.

b) "**Audit Committee or Committee"** means a Committee of Directors of the Company, as constituted from time to time under Section 177 of the Companies Act, 2013 and read with Regulation 18 of the SEBI LODR Regulation.

c) "Board of Directors" or **"Board"** means the Board of Directors of the Company, as constituted from time to time.

d) Related Party

"Related Party" as per the provisions of Companies Act, 2013 and Listing Regulations shall mean:

1. a related party as defined under Section 2(76) of the Act;
2. a related party as defined under the applicable Indian Accounting Standards;
3. any person or entity forming a part of the Promoter or Promoter group of the Company; or
4. any person or entity, holding equity shares of 10% or more in the Company, either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediately preceding financial year.

e) **"Related Party Transaction/s"** shall have the meaning attributed to it under the Act and SEBI LODR Regulations and includes all the amendments and modifications thereof from time to time.

Provided that the following shall not be a Related Party Transaction:

(a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(b) the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:

- payment of dividend;
- subdivision or consolidation of securities;
- issuance of securities by way of a rights issue or a bonus issue; and
- buy-back of securities.

For the purpose of the above, a Related Party Transaction shall include a single transaction or a group of transactions in a contract, with a Related Party.

f) **"Material Related Party Transaction"** shall mean a transaction to be entered into with and between Related Parties, individually or taken together with previous transactions during a financial year, exceeding the threshold of:

- Rs. 1,000 Crore or 10% of the annual consolidated turnover of the Company as per its last audited financial statements, whichever is lower or

- 5% of the annual consolidated turnover of the Company as per its last audited financial statements, in case of transactions involving payments made with respect to brand usage or royalty.

g) **"Material Modification(s)"** means and include any modification to an existing "Material Related Party Transaction", in aggregate with a related party, having variance of 40% in value of the transaction already approved by the Audit Committee or Board or Shareholders or Rs.50 Crore, whichever is higher.

h) **Promoter and Promoter Group** shall have the same meaning as assigned to them respectively in clauses (oo) and (pp) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

4. Related Party Transactions requiring prior approval of the Shareholders of the Company (Rule 15 (3) of the Companies (Meetings of Board and its Powers) Rules, 2014):

Contracts or arrangements with respect to the transaction /s with Related Party as defined under Section 188 (1) (a) to (e) of the Companies Act, 2013 shall require prior approval of the Company if they are as per criteria mentioned below:

i. sale, purchase or supply of any goods or material directly or through appointment of agent, amounting to ten percent or more of the Turnover of the Company as mentioned in clause a) and clause e) respectively of sub-section (1) of Section 188;
ii. selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent amounting to ten percent or more of Net Worth of the Company as mentioned in clause b) and clause e) respectively of sub-section (1) of Section 188;
iii. leasing of property of any kind amounting to ten percent or more of the turnover of the Company as mentioned in clause c) of sub-section (1) of Section 188;
iv. availing or rendering of any services directly or through appointment of agent, amounting to ten percent or more of the Turnover of the Company as mentioned in clause d) and clause e) respectively of Section 188;
v. appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding rupees two and half lakhs as mentioned in clause f) of sub-section (1) of Section 188; or
vi. remuneration for underwriting subscription of any securities or derivatives thereof of the company exceeding one percent of the Net Worth as mentioned in clause g) of sub- section (1) of Section 188;

Explanation

It is clarified that the limits specified in i to iv shall apply for transaction/s to be entered into either individually or taken together with previous transactions during a Financial Year.

The Turnover and Net Worth referred above shall be on the basis of the Audited Financial Statement of the preceding Financial Year.

5. Procedure for approval of Related Party Transactions (RPT)

a) All Related Party Transactions or any subsequent modifications of such transactions shall require prior approval of the Audit Committee and members of the Audit Committee, who are independent directors, shall only approve RPTs transactions with Related Parties.

A RPT to which the subsidiary of a Company is a party but the Company is not a party, the prior approval of the Audit Committee of the Company is required, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten percent of the annual consolidated turnover, as per the last audited financial statements of the Company.

A RPT to which the subsidiary of a Company is a party but the Company is not a party, the prior approval of the Audit Committee of the Company is required, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten percent of the annual standalone turnover, as per the last audited financial statements of the subsidiary company.

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

i. RPTs, where the listed subsidiary is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI LODR Regulations are applicable to such listed subsidiary.
ii. RPTs of unlisted subsidiaries of the listed subsidiary of the Company, where the prior approval of the Audit Committee of the listed subsidiary is obtained.
iii. RPT or subsequent material modifications of RPT (other than those RPT stipulated under Section 188 of the Act) 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. RPT 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.
v. Remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the Audit Committee provided that the same is not material in terms of the provisions of Regulation 23 (1) of SEBI LODR Regulations

However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiary for a period not exceeding one year subject to the following conditions:

- The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature.

- The Audit Committee shall satisfy itself with the need for such omnibus approval keeping in view the interest of the Company;

- The Audit Committee shall specify in the omnibus approval (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 base price / current contracted price and the formula for variation in the price, if any, (iii) such other conditions as the Audit Committee may deem fit.

- In case the need for Related Party Transaction cannot be foreseen and the details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 Crore per transaction.

- The 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.

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

The members of the Audit Committee, who are Independent Directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, subject to the following conditions:

- The value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed Rs. 1 Crore;
- The transaction is not material in terms of the provisions of Regulation 23 (1) of SEBI LODR Regulations.
- Rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee at the time of seeking ratification;
- The details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of Regulation 23 (9) of SEBI LODR Regulations;
- Any other condition as specified by the Audit Committee:

Provided that failure to seek ratification of the Audit Committee shall render the transaction voidable at the option of the Audit Committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

b) All Related Party Transactions which are in ordinary course of business and approved by the Audit Committee shall be placed before the Board to take note of the same.

c) All Related Party Transactions which are either not (a) in the ordinary course of business or (b) on arm length's basis or both shall require prior approval of the Board.

d) All Material Related Party Transactions and subsequent Material Modification(s) shall not be entered into except with the prior approval of the Board and the Shareholders of the Company by way of Resolution as provided in Section 188 of the Act and Regulation 23 (4) of SEBI LODR Regulations and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Prior approval of the shareholders of a listed entity shall not be required for:

i. A RPT to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of SEBI LODR Regulations are applicable to such listed subsidiary
ii. RPT 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.
iii. RPT 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.

e) **Materiality Thresholds:** Regulation 23(1) requires a company to specify threshold limit for Material Related Party Transactions as per which a transaction with a related party is considered material if the transaction / transactions to be entered into, either individually or taken together with previous transactions with such related party during a financial year, exceeds Rs 1,000 Crores or ten percent of the consolidated annual turnover of the Company as per the last audited financial statements of the Company, whichever is lower. The Board will review the policy once every three years and update it, accordingly.

6. **Communication of this Policy**

A copy of this Policy shall be handed over to the Directors and KMPs of the Company and its subsidiaries after approval by the Board. This Policy shall also be posted on the website of the Company and a web link thereto shall be provided in the Annual Report of the Company.

7. Amendment

The Board of Directors or any of its duly authorised Committee shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board or such Committee authorised by the Board in this respect shall be final and binding. Further the said policy shall be reviewed by the by the Board of Directors or any Committee authorised by the Board at least once every three years and updated accordingly.