



Clean Max Enviro Energy Solutions Private Limited
Policy on Related Party Transactions

1. Preamble:

The Board of Directors (the "Board") of Clean Max Enviro Energy Solutions Private Limited ("the Company" or "CMES") has adopted following Policy and procedures with regard to Related Party Transactions.

2. Purpose.

The Regulation 23 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, as amended ("Listing Regulations") requires all listed companies to formulate a Policy on material Related Party Transactions. Although this regulation is not applicable to entities with only listed debt securities, this policy is being adopted pursuant to the Shareholder's Agreement and Articles of Association ("AOA") of the Company. This Policy aims in dealing with related party transactions by following proper conduct and documentation of all the related party transactions.

3. Objective.

The objective of this Policy is to set out manner of dealing with and disclosing the transaction between the Company and its related parties as required under Companies Act and any other laws and regulations as may be applicable to the Company.

4. Definitions.

"**Act**" means the Companies Act, 2013 and the rules framed thereunder, including any modifications, clarifications, circulars or re-enactment thereof.

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

"**Associate Company**" means "Associate Company" as defined in Section 2 (6) of the Companies Act, 2013.

"**Company**" means Clean Max Enviro Energy Solutions Private Limited (CMES)

"**Director**" means a person as defined in Section 2 (34) of the Companies Act, 2013.

"**Employees**" mean the employees and office-bearers of the Company, including but not limited to Directors.

"**Board**" means Board of Directors of the Company.

"**Control**" means the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

"**Key Managerial Personnel**" means key managerial personnel as defined under the Companies Act, 2013 and includes:

"**Office or Place of Profit**" means any office or place where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission,

perquisites, any rent-free accommodation, or otherwise.”

“Ordinary Course of Business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per memorandum & articles of association. The Board may lay down principles from time to time for determining ordinary course of business in accordance with statutory requirements and other industry practices and guidelines.

“Policy” means Policy on Related Party Transactions.

“Relative” means relative as defined under section 2(77) of the Act read with the Companies (Specification of definitions details) Rules, 2014.

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

1. Father: Provided that the term “Father” includes step-father.
2. Mother: Provided that the term “Mother” includes step-mother.
3. Son: Provided that the term “Son” includes step-son.
4. Son’s Wife.
5. Daughter.
6. Daughter’s husband.
7. Brother: Provided that the term “Brother” includes step-brother.
8. Sister: Provided that the term “Sister” includes step-sister.
9. if they are members of a Hindu Undivided Family
10. if they are husband and wife

“Related Party” means a related party as defined under Section 2(76) of the Companies Act, 2013 and the rules framed under or under the applicable accounting standards.

“Related Party Transaction or transactions” as defined under section 188 of the Act and rules made thereunder as amended from time to time and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract or as mentioned in provisions of the Act and rules made thereunder. Provided that the following shall not be a related party transaction if it is in accordance with the Act:

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

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

(b) Any transaction for reimbursement of expenses.

“SHA” means the amended and restated shareholders’ agreement of the Company executed on 22 April 2023 by and amongst the Company and some of its shareholders, as amended from time to time,

5. Identification of Potential Related Party:

- I. Every Director shall:
 - i. at the first meeting of the Board in which he participates as a director and
 - ii. thereafter at the first meeting of the Board in every financial year or
 - iii. whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding,

directorship, partnership, etc. in Form MBP-1. The template for making necessary disclosures shall be decided in consultation with the Company Secretary.

- II. The Key Managerial Personnel (KMP/s) of the Company and the Directors and KMP of Holding Company shall also provide the list of Relatives which are regarded as Related Party as per this Policy before the first meeting of Board of Directors every year. The template for making necessary disclosures shall be decided in consultation with the Company Secretary.
- III. The Company Secretary of the Company, based upon declaration in Form MBP-1 and such other available information, shall be responsible for identifying Related Party(ies) as per applicable laws and reporting details of such Related Party(ies) to the Head Accounts / CFO.
- IV. The Company shall also maintain a list of all the persons including group companies qualifying as related party. List of entities qualifying as related parties as defined in this policy is as below:
 - i. Any person or a close member of that person's family who (a) has control / joint control / significant influence over the Company or (b) is a member of the KMP of the Company / its parent entity. Close member of the person's family shall include (a) that person's children, spouse or domestic partner (b) children of that person's spouse domestic partner and (c) dependents of that person or person's spouse domestic partner
 - ii. Holding, subsidiary and fellow subsidiaries
 - iii. Associate company or Joint ventures (including subsidiaries of such associate companies / joint ventures and fellow associate companies / joint ventures)
 - iv. Any entity which is a post-employment benefit plan for the benefit of employees of the Company or an entity related to the Company.
 - v. Any entity which is controlled / jointly controlled by related parties identified in point (i)
 - vi. Any person who has significant influence over the related party or is a member of the KMP of the related party or of its parent entity
 - vii. Director or his relative
 - viii. Key Management Personnel (KMP) or his relative
 - ix. Any Firm, in which a director, manager or his relative is a Partner
 - x. Any Private Company in which a Director or Manager or his relative is a member or Director
 - xi. Any public company in which a director or manager is a director or and holds along with his relatives, more than two per cent of its paid-up share capital
 - xii. 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
 - xiii. Any person on whose advice, directions or instructions a director or manager is accustomed to act

6. Identification of Potential Related Party Transactions:

- 6.1. The Head-Accounts/Company Secretary shall provide the notice to the Board of any potential Related Party Transaction involving the Company along with threshold monetary limits and pricing guidelines. The Board will determine whether the Transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

The Company will try and ensure that notice of any potential Related Party Transaction is given well in advance, so that the Board has adequate time to obtain and review information about the proposed Transaction.

- 6.2. The Company Secretary shall identify Function / Department, and such other employees [Designated employee] who are responsible for entering into contracts / arrangements / agreements with entities for and on behalf of the Company and circulate the list of Related Parties to all such Designated Employees of the Company along with the approval thresholds for entering into transactions with such identified Related Parties at the beginning of each year (by 30th April).
- 6.3. The Company Secretary will share the list of related parties to appropriate team who will map the identified related parties in the appropriate system to generate periodic reports of related party

transactions. The Head-Accounts or any person responsible for the finance function of the Company and the Internal Auditor will independently review the mapping to ensure the accuracy and completeness of the information relating to the Related Parties and related party transactions.

- 6.4. Designated employees are responsible to disclose to the Board of Directors all the material, financial and commercial transactions with the related parties, where they have personal interest that may have a potential conflict with the interest of the Company.
- 6.5. Illustrative list of related party transactions with the requisite documentation as defined in this policy is as follows:
 - i. sales, purchase or supply of any goods or materials.
 - ii. selling or otherwise disposing of, or buying, property of any kind.
 - iii. leasing of property of any kind.
 - iv. availing or rendering of any services.
 - v. appointment of any agent for purchase or sale of goods, materials, services or property.
 - vi. such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company &
 - vii. underwriting the subscription of any securities or derivatives thereof, of the company

7. Review and approval of Related Party Transactions

I. Board approval:

In compliance to the Act, all Related Party Transactions and subsequent modifications to the Policy shall, subject to the provisions of the SHA and AOA of the Company, require prior approval of the Board whether at a meeting or any other manner as provided by the Act.

The Board shall consider the following illustrative factors while deliberating the related party transactions for granting the approval:

- i. Name of the related party and details explaining nature of relationship
- ii. Name of the director or KMP, who is related, if any
- iii. Nature of the transaction and material terms thereof including the value, if any and particulars of contract or arrangement
- iv. Business rationale for entering the transaction and potential benefits
- v. Compelling business reasons for the Company to enter into a related party transaction and the nature of alternative transactions, if any
- vi. Fair pricing and adherence to arm's length principle
- vii. Whether or not the Related Party Transaction would affect the independence of an independent director?
- viii. Any potential reputational risk issues that may arise because of, or in connection, with the proposed related party transaction
- ix. Whether the related party transaction presents an improper conflict of interest for any Director/KMP of the Company, considering the size of the transaction, the benefits arising therefrom to the Company or Related Party, the direct or indirect nature of the Director's, KMP's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board and/or Audit Committee deem relevant; and
- x. Any other information relevant or important for the Audit Committee to approve the related party transaction

II. Omnibus Board approval:

The Board may grant omnibus approval for Related Party Transactions provided it is satisfied that there is a need to grant such approval and the same is in the interest of the Company. Such

approval may be granted by Board for the proposed transactions subject to provisions of the SHA and AOA, and the following:

- i. Transactions are repetitive/frequent in nature;
- ii. Transactions are Arm's Length Transactions; and
- iii. Transactions are in the Ordinary Course of Business.

The Board shall review, at least on a quarterly basis, the details of Related Party Transactions 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 approval after the expiry of the same.

8. Pricing of Related party transactions

Pricing of all the related party transaction of the Company will be in accordance with the generally accepted arm's length principle. Arm's length principle requires the transaction with a related party to be made at similar terms and price under comparable conditions / circumstances as a transaction with an unrelated party.

For determination of arm's length price

For determination of arm's length price, broadly comparable transaction(s) undertaken by unrelated parties are required to be identified against which the related party transactions will be benchmarked. This step is known as "comparability analysis". Normally, comparability analysis entails detailed review of the economically significant characteristics of the related party transaction vis-à-vis unrelated party transaction to understand the similarities and differences between both the types of transactions. Benchmarking and other reports from independent third party consultants to be obtained for this purpose.

For reasonable determination of arm's length price, the Company can follow globally accepted practices and processes, including the methods as prescribed in the Income Tax Act, 1961 and other locally applicable regulations.

An illustrative list of factors affecting the comparability analysis for arm's length determination has been detailed below:

- i. **Characteristics of the property or service transferred:** Properties (tangible / intangible) having different characteristics command different price in open market. Price of the goods / service also depends on number of factors including the quantity transacted, presence of competitors in open market, assurance of quality, etc. For correct comparability analysis, it is necessary to ensure the goods / service being compared have broadly similar characteristics and any differences are reasonably adjusted.
- ii. **Contractual terms of the transactions:** It is important to ensure that the contractual terms of a related party transaction are similar / comparable to unrelated transaction, as these terms lay out the performance obligations of the transacting entities which directly impacts the comparability analysis. It is also critical to ensure that the actual conduct of the transacting entities is consistent with the agreed contractual terms.
- iii. **Functions, assets and risks (FAR) analysis:** FAR analysis is the cornerstone for determination of arm's length price. FAR analysis is critical because the expected return of the transacting entities depends on the criticality of the functions performed, the nature and degree of risks assumed and the nature and value of assets employed. Mapping of functions, assets and risks in a related party transaction with the unrelated part transaction is necessary for economically characterising the transacting parties.

- iv. **Commercial and Economic Circumstances:** Economic trends (including government regulations) prevailing in the market / geography significantly impacts the transaction prices for similar property or a service. Material and unreconcilable differences between the economic and political circumstances of a related party transaction vis-à-vis an unrelated transaction will result in inaccurate comparability analysis.
- v. **Business strategies:** Business strategies include different commercial aspects viz. innovation and product development, market penetration / expansion, diversification, risk aversion, assessment of political changes, etc. Such business strategies directly impact the profitability and are therefore important for comparability analysis.
- vi. **Nature of item:** Sometimes RPTs of specific nature (such as compensation) where the pricing is difficult to benchmark due to unavailability of comparable uncontrolled transactions and other relevant data. In such cases the Company relies on best estimates.

To the extent applicable, an in-depth analysis of the above factors will be carried out for determination of arm's length price. Detailed documentation of comparability analysis undertaken including adjustments made to the price of unrelated transaction, will also be maintained by the Company to substantiate adherence to arm's length principle. The pricing of each category of related party transaction (determined based on the above factors) will be approved by the CFO/Chief Finance Controller. These details will also be presented before the relevant approving authorities for due approval in accordance with this policy.

9. Documentation of related party transactions

For each related party transaction, generally an agreement defining the contractual obligations and the terms and conditions of the commercial arrangement/transaction shall be executed by the Company. Further, Purchase orders (PO) / Work orders / Statement of work (SOW) can also be issued for any transaction to be undertaken under the scope of such agreements.

For each transaction, Business Unit/Legal Entity is responsible for identification and maintenance of the adequate documentation covering the following:

a. Company-wise documentation

- i. Details of the transactions with related parties
- ii. Determination of whether the proposed transactions is in the ordinary course of business or otherwise.

b. Transaction-wise documentation

- i. Service agreements defining the terms and conditions of the commercial arrangement, along with applicable purchase orders / work orders / statement of work etc.
- ii. Determine the applicable approval requirements in accordance with this SOP and the applicable laws; and
- iii. Obtain requisite approval in accordance with this SOP and the applicable laws

c. Documentation on pricing of transactions

- i. Quotations / invoices / any other relevant documents issued by unrelated parties for transactions broadly similar to the related party transactions, which are relied upon for pricing the related party transaction
- ii. Minutes / summary of negotiations and discussions/contracts with the related party for concluding on the price of related party transaction

- iii. Analysis (including necessary back-up computation workings) demonstrating adherence to the arms' length principle or
- iv. Report of independent expert on arm length price.

d. For keeping a summary of related party transactions:

The CS and Head-Accounts shall maintain a database of Company's related party transactions. The database shall be updated whenever necessary and shall be reviewed periodically. Designated Employees shall have access to this database.

The CS of the Company shall maintain a related party transaction register electronically in accordance with provisions of the Companies Act, 2013, giving separately the particulars of all the contracts or arrangements to which, the said Act applies, and such register shall be placed before the meeting of the Board of Directors for review thereof.

The Company shall provide extracts from the Related party transaction register to any member of the Company upon request, as per the provisions of the applicable laws.

Related party transaction registers shall be in the custody of the Company Secretary and be preserved as per the provision of the applicable laws.

10. Execution of Related Party Transactions:

- i. Post completion of processes mentioned in above sections and granting of approval by the relevant approving authority, service agreements / contracts will be executed for the related party transaction based on the approved terms and conditions of the commercial arrangement.
- ii. Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting under sub-section (1) of Section 188 of Companies Act, 2013 and if it is not ratified by the 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 or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders 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.
- iii. In the event the Company becomes aware of a Transaction with a Related Party that has not been approved under 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 under this Policy and shall take any such action it deems appropriate.

In a situation where the Board determine 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 for the loss suffered by the related party etc.

Further, in connection with any review of a Related Party Transaction, the Board has authority to modify or waive any procedural requirements of this Policy.

11. Reporting and disclosure

- 11.1 On a periodical basis, the Company Secretary shall place before the Board of Directors, the record of Related Parties and the Designated Employees identified for reporting the Related Party Transactions.

- 11.2 On a periodical basis, the Designated Employees responsible for entering into any service agreements or contracts on behalf of the Company, shall submit the summary of all related party transactions along with information and documents to the Company Secretary and CFO or Head-Accounts or any person responsible for the finance function of the Company.
- 11.3 The Company shall comply with all the reporting and disclosure requirements as may be prescribed from time to time as per the provisions of applicable laws and regulations, including but not limited to the disclosure requirement laid down in Indian Accounting Standard – 24 on “Related party disclosures”.

Illustrative list of related party transactions with the requisite documentation

Nature of transaction	Invoices	Purchase Order	Agreement	Cost Sheet	Quotations	Omnibus approval
Purchase of any goods or materials	√	√	√	√	√	√
Sale or supply of any goods or materials	√	√	√	√	√	√
Purchase of fixed asset	√	√	√	√	√	√
Sale of fixed asset	√	√	√	√	√	√
Leasing of property of any kind	√	√	√	√	√	√

12. Independent review

On a periodic basis, all the related party transactions will be reviewed by the Company's Internal Auditor to report on the adherence to this governance policy while executing the related party transactions.

Should the Board deem it necessary, services of external professional / consultant can also be availed to independently test the Company's adherence to this governance policy, identify deficiencies/gaps in actual process vis-à-vis the governance framework documented in this policy and agree on measures to remediate the deficiencies.

The Internal Auditor / External Consultant can follow the principles laid down in this policy as well as generally accepted practises and processes to conduct an independent arm's length review of the Company's related party transactions.

13. Deemed Approval

The transactions or arrangements which are specifically dealt under the separate provisions of the law and executed under separate approvals/procedures from relevant committee shall be deemed to be approved for the purpose of this Policy. Such transactions are enumerated below:

- a) Appointment and payment of remuneration, including any variations thereto, to Key Managerial Personnel pursuant to the Nomination and Remuneration Committee approval;
- b) Payment of remuneration, fees, commission, etc. to Directors of the Company pursuant to approval of the Nomination and Remuneration Committee;

- c) Grant/issuance of stock options or stock appreciation rights or other share based benefits to and payments made to/received from Directors or Key Managerial Personnel of the Company or directors/key managerial personnel/officers of its subsidiaries/associates pursuant to such share based incentive plans as approved by shareholders.
- d) Any benefits, interest arising to Related Party solely from the ownership of Company shares at par with other holders, for example, dividends, right issues, stock split or bonus shares approved by the Nomination and Remuneration Committee or any other Board composed committee.
- e) Contribution with respect to Corporate Social Responsibility to eligible entity pursuant to approval of Board or the Corporate Social Responsibility Committee.

14. Shareholders' approval in terms of Companies Act, 2013:

If a Related Party Transaction is (i) not in the Ordinary Course of Business, and/or (ii) not Arm's Length Transactions, then such Related Party Transaction and any subsequent modification thereto, shall require shareholders' approval by a resolution and shall be subject to the provisions of the SHA and articles of association of the Company..

Exemption from obtaining approval:

Following transactions are exempted from the requirement of obtaining the Shareholders approval:

- i. Transactions entered into between Clean Max Enviro Energy Solutions Private Limited and its wholly owned subsidiary, if any, whose accounts are consolidated with Clean Max Enviro Energy Solutions Private Limited

Provided that the investment in debt and equity is approved by the Project Monitoring and Financing Committee and/or Board of Directors.

However, an approval of Board and Board of Directors/ Shareholders (to the extent applicable), as the case, will be required for above listed transaction as per Section 177 and Section 188 and other applicable provisions of the Act.

The Company shall avail exemptions granted or obtain approvals under section 188, 177 and other applicable provisions of Companies Act, 2013 as amended from time to time and after fulfilling conditions and requirements specified therein.

15. Disclosures

Appropriate disclosures as required under the laws and as may be mentioned in the SHA shall be made in its annual returns, annual reports, financial statements, Board's report and at such other places and to the exchanges or to such other authority as may be prescribed under the relevant applicable laws and SHA.

16. Interpretation

Any words used in this Policy but not defined herein shall have the same meaning ascribed to it in the Act, Accounting Standards or any other relevant legislation / law applicable to the Company.

In case of any dispute or difference upon the meaning/interpretation of any word or provision in this Policy, the same shall be referred to the Board and the decision of the Board in such a case shall be final. In interpreting such term /provision, the Board may seek the help of any of the officers of the Company or an outside expert as it deems fit.

17. Policy Review

The Board may, for the purpose of aligning this Policy with the regulatory changes, amend any provision(s) or substitute any of the provision(s) with new provision(s) or replace the Policy entirely with a new Policy.

The Board may also, based on the recommendations from the Board and subject to the SHA and articles of association of the Company, make any amendments to the Policy from time to time. The Policy shall be reviewed by the Board at least once in every 3 (three) years and updated as may be required.

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. A note in relation to such changes shall be placed in subsequent meeting of the Board.