

SWELECT ENERGY SYSTEMS LIMITED

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS

Preamble:

The Board of Directors (the “Board”) of SWELECT ENERGY SYSTEMS LIMITED (the “Company”) has adopted the following policy and procedures (“Policy”) with regard to Related Party Transactions (RPTs):

This Policy may be amended by the Company from time to time and is subject to all laws and regulations applicable to the Company from time to time.

This policy is also in conformance with the Company’s Code of Conduct for Business and ethics which provides that all directors and senior management personnel are required to disclose all potential or actual conflict of interest, which may be against the interest of the Company and take actions to eliminate such conflict, if so required.

1. Objective

1.1 This Policy is formulated in accordance with the requirement of the Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory enactments / amendments thereof) and is intended to ensure proper approval and reporting of RPTs between the Company and its Related Parties. In addition, the Company is also required to define the materiality of RPTs. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

1.2 The Company is required to disclose the Policy on dealing with RPTs each year in its Financial Statements as well as in its website.

2. Definitions

“Act” means the Companies Act, 2013 and rules made thereunder as amended from time to time.

“Audit Committee or Committee” means Committee of Board of Directors of the Company constituted under provisions of Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Companies Act, 2013.

“Board” means the Board of Directors of the Company.

“Key Managerial Personnel” of **“KMP”** shall have the meaning referred to in the Companies Act, 2013.

“Ordinary Course of Business” means transactions that are necessary, normal and incidental to the business of the Company.

“Related Party” means an entity which is:

- (i) a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) a related party under the applicable Accounting Standards prescribed by the Institute of Chartered Accountants of India

“Deemed Related Party” means an entity which is:

(a) any person or entity forming a part of the promoter or promoter group of the listed entity; or

(b) any person or any entity, holding equity shares:

(i) of twenty per cent or more w.e.f. 01.04.2022; or

(ii) of ten per cent or more, with effect from April 1, 2023;

in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year;

#“Related Party Transaction” means a transaction involving a transfer of resources, services or obligations between: (i)

a. Listed entity and a related party of the listed entity;

b. Listed entity and a related party of the subsidiary of the listed entity;

c. Subsidiary of the Listed entity and a related party of the listed entity;

d. Subsidiary of the Listed entity and a related party of the subsidiary of the listed entity

(ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, **with effect from April 1, 2023;**

regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract.

#“Material Related Party Transaction” means

- i. Any 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 rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.
- ii. Any transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity

“Material modification in a related party transaction” means any modification related to change in price, tenure, delivery schedule, non-statutory obligations, terms and conditions or short closure of any contract or arrangement with related party.

“Relative” means relative as defined under the Companies Act, 2013

“Holding Company” shall have the meaning as specified under section 2(46) of the Companies Act, 2013.

“Subsidiary Company” shall have the same meaning as specified under section 2(87) of the Companies Act, 2013.

“Turnover” shall have the same meaning as specified under section 2(91) of the Companies Act, 2013.

“Wholly Owned Subsidiary” When a company holds 100% of shares of another company, the other company is called a Wholly Owned Subsidiary of the company who has made 100% investment in it.

Words and expressions used in this policy shall have the same meanings respectively assigned to them in the following acts / Regulation 23 of SEBI (LODR) Regulations, 2015 / regulations / rules.

1. The Companies Act, 2013 or the rules framed thereon
2. Regulation 23 of SEBI (LODR) Regulations, 2015 with Stock Exchanges.
3. Securities Contracts (Regulation) Act, 1956
4. SEBI Act, 1992
5. SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009
6. SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011
7. SEBI (Prohibition of Insider Trading) Regulations, 1992

3. General Guidelines

All Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee and the Audit Committee may forward the same to the Board for their approval in accordance with this policy.

However, only those members of the audit committee, who are independent directors, shall approve related party transactions.

A related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the listed entity

With effect from April 1, 2023, a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary

All Material Related Party Transactions and subsequent material modifications shall require approval of the shareholders and all the related parties of the Company shall abstain from voting on such resolutions irrespective of whether they are interested in that particular Material related party transaction or not.

4. Identification of RPTs

4.1 Each Director and “KMP” and other related party shall promptly notify the Audit Committee of any material interest that such person or relative of such person had, has or may have in a RPT, by providing notice to the Board or Audit Committee of any potential RPT involving him or her or his or relative together with additional information about the RPT that the Board or Audit Committee reasonably request.

4.2 The Company prefers that notice of any RPT is given well in advance so that the Audit Committee / the Board has adequate time to obtain and review information about the proposed RPT.

4.3 The Board / Audit Committee shall determine whether a transaction does, in fact, constitute a RPT requiring compliance with this Policy.

5. Review and Approval of RPTs

- 5.1 All RPTs shall require approval of Audit Committee.
- 5.2 RPTs shall be referred to the next regularly scheduled meeting(s) of Audit Committee for its review and approval.
- 5.3 The Audit Committee, in order to review a RPT, shall be provided with all relevant material information of the RPT, 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.
- 5.4 Any member of the Audit Committee, who has an interest in any RPT shall recuse himself or herself and abstain and voting on the approval of such RPTs.

6. Criteria for approving RPTs

In determining, whether to approve a RPT, the Audit Committee shall consider the following factors, among others, to the extent relevant to the RPT;

- 6.1 Whether the terms of the RPT are fair and on 'arm's length basis' to the Company and would apply on the same basis if the transaction did not involve a related party.
- 6.2 Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any;
- 6.3 Whether the RPT would affect the independence of an independent director;
- 6.4 Whether the proposed RPT includes any potential reputational risk issues that may arise as a result of or in connection with the proposed RPT;
- 6.5 Whether subsequent ratification of the proposed RPT is allowed and would be detrimental to the Company; and
- 6.6 Whether the RPT would present an improper conflict of interest for any director or KMP of the Company, taking into account the size of the transaction, the overall financial position of the director, KMP or other Related party, the direct or indirect nature of the director's KMP or other related party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee deems relevant;
- 6.7 If the Audit Committee determines that a RPT should be brought before the Board, or if the Board in any case elects to review any such matter or is mandatory under any law for Board to approve the RPT, then 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.

7. Grant of Omnibus approval

7.1 The Audit Committee shall also be entitled to grant omnibus approval (“Omnibus Approval”) for a class of transactions which are repetitive in nature as per the procedure specified for approving RPTs in this Policy.

7.2 In addition to the criteria specified above, the Audit Committee shall be required to specify in the omnibus approval:

- i. Names of the Related Party, nature, period of transaction and maximum amount of the proposed RPT
- ii. The indicative base price / current contracted price and the formula for variation in the price, if any.
- iii. And such other conditions as the Audit committee may deem fit.

7.3 Audit committee shall review, the details of actual RPTs entered into by the Company pursuant to each of the Omnibus approvals on a quarterly basis.

7.4 The omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals from the audit committee after the expiry of one year from the grant of each approval.

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

However, the approval of Audit Committee and Shareholders is not applicable if the transactions entered into between;

- i). the Company and a Wholly owned subsidiary of the Company and
- ii). Two wholly owned subsidiaries of the listed holding company,

where the accounts of the subsidiary are consolidated with the holding Company; and approved by the shareholders at a general meeting.

RATIFICATION OF RELATED PARTY TRANSACTIONS

(a) Every contract or arrangement entered into with a related party shall be referred to in the Board’s report to the Shareholders along with the justification for entering into such contract or arrangement.

(b) If prior approval of the Audit Committee/ Board/ Shareholders for entering into a RPTs is not feasible owing to paucity of time and also other administrative inconvenience, then such RPTs shall be recommended by the Audit Committee for ratification to the Board/ Shareholders, if required, within 3 months of entering into the Related Party Transaction.

(c) In any case where either the Audit Committee/ Board/ Shareholders determines not to ratify a Related Party Transaction that has been commenced without prior approval, the Committee or Board or Shareholders, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation of the transactions, or modification of the transaction to make it acceptable for ratification. 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.

Disclosure:

The listed entity shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the SEBI from time to time, and publish the same on its website as follows.

- a) The Company shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results with effect from April 1, 2022:
- b) The Company shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.

8. RPTs not approved under this policy

In the event the Company becomes aware of a RPT with a related party that has not been approved under this policy by the audit committee prior to its consummation, it shall report such transaction to the Audit Committee which shall follow the procedure laid down in this policy and ratify the transactions.

Amendment to the policy

The Board on its own and/or as per the recommendations of the respective Committee can amend this policy, as and when it deems fit.

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 amendments, clarifications, circulars 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),
