

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



### **SOLARWORLD ENERGY SOLUTIONS LIMITED**

*(formerly known as Solarworld Energy Solutions Private Limited)*

## 1. PREAMBLE

This Policy on Related Party Transactions also known as Policy on materiality of Related Party Transactions and on dealing with Related Party Transactions (“Policy”) has been adopted by the Board of Directors of Solarworld Energy Solutions Limited (the “Company”) in accordance with the requirements laid down under the Companies Act, 2013, including the rules made thereunder (collectively referred to as the “Act”), and the provisions of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”), as amended from time to time, and any other applicable laws and regulations.

This Policy recognizes the potential conflicts of interest that may arise due to the close association of related parties with the Company. Accordingly, it establishes the principles and procedures for identifying, reviewing, approving, and disclosing transactions involving related parties to ensure that they are undertaken on terms that are no less favorable than those that would have been entered into with unrelated third parties.

The guiding principles of this Policy are based on the following key tenets:

**Accountability:** To ensure that Related Party Transactions (“RPTs”) are undertaken in accordance with the law and are accountable to the Board, shareholders, and other stakeholders.

**Transparency:** To enable adequate and timely disclosures of RPTs to the Audit Committee, the Board, Stock Exchanges, and shareholders, as required.

**Fairness:** To ensure that RPTs are evaluated objectively and are on arm’s length basis, so as to protect the interests of the Company and its stakeholders.

**Governance:** To provide a robust governance framework that promotes ethical standards and avoids potential conflicts of interest.

By adopting this Policy, the Company affirms its unwavering commitment to fostering an ethical, transparent, and accountable governance environment, wherein related party transactions are executed with due diligence, integrity, and in the best interests of the Company and its stakeholders.

## 2. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out the materiality thresholds for related party transactions and to ensure that all transactions entered into by the Company with its related parties are conducted in a manner that is fair, transparent, at arm’s length, and in the best interest of the Company and its stakeholders. The Policy outlines the framework for identification of related parties, the nature and scope of related party transactions (“RPTs”), the approval mechanisms, the manner of disclosure, and governance practices for monitoring and reporting such transactions based on the Act, Regulation 23 of the Listing Regulations and any other laws and regulations as may be applicable to the Company.

### 3. DEFINITIONS

- i. **“Act”** means Companies Act, 2013 including the rules framed there under and any statutory amendment(s) or modification(s) or circular(s) or notification(s) or order(s) thereof for the time being in force.
- ii. **“Board”** shall mean the Board of Directors of the Company, as constituted from time to time.
- iii. **“Company”** shall mean “Solarworld Energy Solutions Limited”
- iv. **“SEBI Listing Regulations”** means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any statutory amendment(s) or modification(s) or circular(s) or notification(s) thereof for the time being in force.
- v. **“Relative(s)”** shall have the same meaning as assigned to it under Section 2 (77) of the Companies Act, 2013 and the Rules made thereunder and the Listing Agreement.
- vi. **“Related Party”** with reference to a Company shall have the meaning as defined in Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI Listing Regulations.
- vii. **“Related Party Transaction” (“RPT”)** shall have the same meaning as specified under the Act and Regulation 2(1)(zc) of the SEBI Listing Regulations as amended and shall mean a transaction involving a transfer of resources, services or obligations between:
  - a) the Company or any of its subsidiaries on the one hand and a related party of the Company or any of its subsidiaries on the other hand;
  - b) the Company 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 Company 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.

The following shall not be considered RPTs in terms of SEBI Listing Regulations:

- 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) payment of dividend by the Company;
- c) sub-division or consolidation of securities by the Company;
- d) issuance of securities by way of a rights issue or a bonus issue and
- e) buy-back of securities
- f) retail purchases from the Company or its subsidiary by directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.

- viii. **“Arm’s length transaction”** means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.
- ix. **“Key Managerial Personnel”** in relation to the Company shall be as defined under Section 2(51) of the Act, as amended from time to time.
- x. **“Audit Committee”** or **“Committee”** means Audit Committee constituted by the Board of Directors of the Company as under Section 177 of the Companies Act, 2013 and the provisions of Listing Regulations, as amended from time to time.
- xi. **“Material Related Party Transaction”** means a transaction with a Related Party, where the transaction(s) to be entered into individually or taken together with previous transactions with a Related Party during a financial year, exceeds one thousand crores or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Notwithstanding the above, a 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 Company as per the last consolidated audited financial statements of the Company.

- xii. **“Ordinary Course of Business”** if transactions satisfy any of the following criteria, such transactions will be generally in the Ordinary Course of Business:
  - a) The Memorandum of Association of the Company should cover such transaction;
  - b) There are previous instances of the Company having carried out such transaction;
  - c) These transactions are frequent over a period of time;
  - d) The transaction should be in furtherance of the business objectives of the Company;
  - e) The transactions, if not frequent, are important to the business objectives of the Company;
  - f) The transactions are incidental to Renewable Energy industry/ part of standard industry practice or but for which the business would be adversely affected.

This is not exhaustive criteria and the Company should assess each transaction considering its specific type, nature, value and circumstances.

- xiii. **“Management”** means and includes either of Managing Director, President, Chief Operating Operator, Executive Director(s), the Chief Financial Officer and one level below the Chief Financial Officer.
- xiv. **“Material Modification”** means any variation having an impact on the monetary limits already approved by the Audit Committee or Board of Directors or Shareholders, as the case may be, exceeding 20% of transactions value, in each case, over and above the approved limits or such other limits as may be decided by the Audit Committee from time to time.

Words and expressions used and not defined in this Policy shall have the meaning ascribed to them in the SEBI Listing Regulations, the Securities and Exchange Board of India Act, 1992, as amended, the Securities Contracts (Regulation) Act, 1956, as amended, the Depositories Act, 1996, as amended, or the Companies Act and rules and regulations made thereunder.

#### **4. INTERPRETATION**

- i. In any circumstances, where the terms of the Policy differ from any existing or enacted Law(s), Rule(s), Regulation(s) governing the Company, then such Law(s), Rule(s) or Regulation(s) shall prevail over this Policy.
- ii. In case of any dispute or difference upon the meaning/interpretation of any provision in the Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final. In interpreting such term / provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.

#### **5. IDENTIFICATION OF RELATED PARTIES AND THE RPTs**

The Company has established the following structured process for identifying Related Parties and evaluating potential RPTs:

- i. Every Director and Key Managerial Personnel (KMP) shall, upon appointment, annually, and whenever there is a change in previously submitted information, provide the Company Secretary with requisite details regarding all persons, firms, or entities in which they have a direct or indirect interest.
- ii. On the basis of the above referred information received and pursuant to the Act and SEBI Listing Regulations, a consolidated list of Related Parties shall be prepared.
- iii. Each Director and KMP is individually responsible to inform the Board or Audit Committee promptly of any proposed or potential Related Party Transaction in which they, their Relatives, or entities in which they have an interest, are or may be involved and shall be responsible to provide any additional information about the transaction that the Board/Audit Committee may reasonably request.
- iv. The Chief Financial Officer (“CFO”) or designated official, in coordination with the Company Secretary, shall screen all business transactions, procurement plans, and contractual proposals to identify any transaction that may potentially involve a Related Party.
- v. All the potential transactions with the Related Parties shall be identified and a comprehensive proposal shall be submitted for requisite prior approval. The proposal shall include, at a minimum:
  - a) Name of the Related Party;
  - b) Nature of relationship;
  - c) Nature and duration of the transaction;
  - d) Transaction value;
  - e) Any advance paid or received for the contract or arrangement, if any.

- f) Material terms of the contract or arrangement
- g) Any other relevant or material information.

## **6. APPROVAL FRAMEWORK FOR RPTs**

### **i. Approval of the Audit Committee of the Company**

- a) All Related Party Transactions, any modifications to transactions with Related Parties as per the provisions of the Act, and subsequent material modifications to transactions with Related Parties as defined under SEBI Listing Regulations shall require prior approval of the Audit Committee, whether at a meeting or by resolution passed by circulation.
- b) Further, any Related Party Transaction to which the subsidiary of the Company is a party but the Company itself is not a party to the transaction, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% (ten percent) of the annual consolidated turnover, as per the last audited financial statements of the Company or such limit as prescribed under the SEBI Listing Regulations.
- c) A Related Party Transaction to which the Subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary, or such limit as prescribed under the SEBI Listing Regulations.

However, prior approval of the Audit Committee of the Company shall not be required for a Related Party Transaction to which the listed subsidiary is a party but the Company is not a party, if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary. For sake of clarity, for Related Party Transactions of unlisted subsidiaries of a listed subsidiary to which the Company is not a party, the prior approval of the Audit Committee of the listed subsidiary shall suffice.

- d) These provisions shall not apply to the following transactions, other than transactions referred to in Section 188 of the Act:
  - 1. Transactions entered with its wholly owned subsidiary; whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval;
  - 2. Transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the company and placed before the shareholders of such company at the general meeting for approval;
  - 3. Transactions which are in the nature of payment of statutory dues, statutory fees, or statutory charges entered into between the Company on one hand and the Central government or any State government or any combination thereof on the other hand;
  - 4. Remuneration and sitting fees paid by the Company or its subsidiary to its Director, Key Managerial Personnel or Senior Management, except who is part of Promoter or Promoter Group, provided that the same is not material as defined in this policy or under Regulation 23 of SEBI Listing Regulations including modifications or amendments made thereto.

- e) Any member of the Audit Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.
- f) In case the Audit Committee does not approve any transaction, then it shall make its recommendations to the Board.

**ii. Approval of the Board of Directors of the Company**

- a) The Board approval is mandatory for any Related Party Transaction that meets any of the following conditions:
  - 1. **Not in the ordinary course of business:** RPTs which do not align with the Company's regular or usual business operations, or that are outside the routine scope of business activities, require explicit Board approval.
  - 2. **Not at arm's length basis:** Any RPTs that is not conducted at arm's length, i.e., where terms and conditions are not similar to those that would be agreed upon by unrelated parties, shall require prior approval from the Board of Directors.
  - 3. **Transactions referred by the Audit Committee:** The Audit Committee, after reviewing proposed RPTs in accordance with this Policy, may refer specific transactions to the Board for its approval. These may include, but are not limited to, transactions of significant value or those requiring special consideration.
  - 4. **Transactions meeting materiality thresholds for shareholder approval:** Any RPT that exceeds the materiality thresholds as defined under SEBI Listing Regulations (i.e., transactions that require shareholder approval), must first be approved by the Board, before being put to a shareholder vote.
  - 5. **Material Modifications to Existing RPTs:** Any material change to the terms, scope, or value of an existing RPT that was previously approved by the Board will require re-approval from the Board. This includes significant variations in pricing, nature of goods or services, or the duration of the agreement.
  - 6. **Mandatory under any law:** Where it is mandatory under any law for Board to approve the Related Party Transactions.
- b) The procedures followed by the Board to approve Related Party Transactions must ensure complete transparency, fairness, and compliance with applicable regulations.
- c) Directors who have an interest in the transaction being discussed shall not participate in the discussion or decision-making process concerning the related party transaction. This includes both direct and indirect interests, and the interested director(s) shall recuse themselves from the entire agenda item.

d) The Agenda of the Board Meeting at which the Resolution is proposed to be moved for approval of the Related Party Transaction shall disclose the following details:

1. The name of the Related Party and the nature of relationship;
2. The nature, duration and particulars of the contract or arrangement;
3. The material terms of the contract or arrangement, including the value, if any;
4. Any advance paid or received for the contract or arrangement, if any;
5. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of contract;
6. whether all factors relevant to the contract have been considered; if not, the details of factors not considered, with the rationale for not considering those factors; and
7. any other information relevant or important for the Board to take a decision on the proposed transaction.

**iii. Approval of the Shareholders of the Company**

a) The following Related Party Transactions shall be subject to prior approval of shareholders of the company by way of a resolution:

1. All Material Related Party Transactions and subsequent Material Modifications;
2. Related Party Transactions, which are not in the Ordinary Course of Business or not executed at an arm's length basis, exceeding the threshold limits as may be prescribed under the Companies Act 2013 and the Rules made thereunder.

For this purpose, no related party (as defined under Section 2(76) of the Companies Act, 2013, and Regulation 2(1)(zb) of SEBI Listing Regulations) shall vote on resolutions concerning Material RPTs or RPTs requiring shareholder approval. This restriction applies irrespective of whether the Related Party is a party to the particular transaction or not. However, the requirements specified in this sub-clause shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized Stock Exchanges within one day of the resolution plan being approved.

b) Approval of Shareholders of the Company shall not be required for the following:

1. Transactions entered into with wholly owned subsidiaries whose accounts are consolidated with the Company.
2. Transactions entered between two wholly-owned subsidiaries of the Company whose accounts are consolidated with the Company.
3. Related Party Transaction to which the listed subsidiary is a party but the Company is not a party, if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.



- c) As per Regulation 23 of SEBI Listing Regulations and Section 188 of the Companies Act, 2013, the notice to shareholders for approving an RPT shall include an Explanatory Statement containing the following details:
1. Name of the Related Party and the nature of the relationship with the Company.
  2. Nature, duration, and particulars of the contract or arrangement.
  3. Material terms of the transaction, including the monetary value and payment terms.
  4. Whether the transaction is in the ordinary course of business and on an arm's length basis, if applicable.
  5. Any advance paid or received for the transaction.
  6. Any other relevant information necessary to enable shareholders to make an informed decision.
  7. A statement that the transaction has been reviewed and recommended by the Audit Committee.

## **7. OMNIBUS APPROVAL MECHANISM**

In accordance with Regulation 23 of the SEBI Listing Regulations and the Companies (Meetings of Board and its Powers) Rules, 2014 read with Section 177 of the Companies Act, 2013, the Audit Committee of the Company may grant omnibus approvals for Related Party Transactions (RPTs) proposed to be entered into by the Company or its Subsidiary that are routine and repetitive in nature subject to the conditions laid out in this Policy.

### **i. Eligibility Conditions**

The Audit Committee may grant omnibus approval only for those RPTs which satisfy all the following conditions:

- a) The transactions are repetitive in nature, either historically recurring or anticipated to recur in the ordinary course of operations.
- b) The transactions are undertaken in the ordinary course of business of the Company.
- c) The transactions are conducted on an arm's length basis as defined under Section 188 of the Companies Act, 2013 and supported by appropriate benchmarking or justification.
- d) The transactions fall within the limits and thresholds prescribed under applicable law and do not qualify as material related party transactions under Regulation 23 of the SEBI Listing Regulations.

### **ii. Evaluation and Approval Criteria**

Before granting omnibus approval, the Audit Committee shall evaluate and satisfy itself on the following factors:

- a) The rationale and business necessity of seeking omnibus approval.
- b) The nature of the relationship between the Related Party and the Company, and whether such relationship could pose any potential conflict of interest.
- c) The historical pattern, frequency, and volume of similar transactions executed with the same Related Party, if any.
- d) The maximum value per transaction and the cumulative aggregate value proposed under omnibus approval.

- e) Any other information deemed necessary by the Audit Committee for an informed decision.

**iii. Mandatory Parameters for Omnibus Approval**

Each omnibus approval granted by the Audit Committee shall include the following specific details:

- a) Name(s) of the Related Party(ies);
- b) Nature of the transaction;
- c) Duration or tenure of the proposed transactions;
- d) Maximum value of a single transaction;
- e) Aggregate maximum value of all transactions with the Related Party during the approval period;
- f) Indicative base price or current contracted price, along with a formula for allowable variation, if any;
- g) Validity period of the omnibus approval (not exceeding one financial year);
- h) Any other conditions or limitations as deemed appropriate by the Audit Committee.

**iv. Thresholds and Restrictions**

The Audit Committee shall apply the following quantitative and qualitative restrictions when granting omnibus approvals:

- a) For planned transactions, thresholds shall be based on Budgetary forecasts, past transaction volumes, anticipated future needs and business plans submitted by the concerned department.
- b) For unforeseen transactions and where the details as mentioned under clause 7(iii) of this policy are not available, the audit Committee may grant omnibus approval provided the value does not exceed Rs.1 crore per transaction;
- c) The validity of each omnibus approval shall not exceed one financial year, after which fresh approval must be sought.

**v. Transactions Excluded from Omnibus Approval**

The following types of Related Party Transactions shall not be eligible for omnibus approval under any circumstances:

- a) Transactions in respect of selling or disposing of the undertaking of the Company
- b) Transactions that qualify as Material Related Party Transactions, as defined under SEBI Listing Regulations, and require prior approval of shareholders;
- c) Transactions that are not in the ordinary course of business;
- d) Transactions that are not on an arm's length basis or where pricing cannot be reasonably justified;
- e) Any transaction which, in the opinion of the Audit Committee, raises governance concerns or involves elements of conflict of interest, undue influence, or potential abuse;
- f) Any other transactions as may be excluded by law or by the Audit Committee at its discretion.

**vi. Review**

The Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company or its subsidiary pursuant to each of the omnibus approvals given.

## **8. RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED**

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:

- i. 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 rupees one crore;
- ii. the transaction is not material as defined in this policy or under Regulation 23 of SEBI Listing Regulations including modifications or amendments made thereto.
- iii. rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification.
- iv. the details of ratification shall be disclosed along with the disclosures of Related Party Transactions to be made to the stock exchanges in the format as specified by the SEBI from time to time and published on the Company's website.
- v. 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 Company against any loss incurred by it.

## **9. DISCLOSURES AND REPORTING**

This Policy shall be disclosed on the website of the Company and a web link to the policy shall be provided in the Annual Report.

- i. A summary statement of Related Party Transactions entered into by the Company or its subsidiary(s) shall be submitted to the Audit Committee in quarterly meetings for information, review and noting.
- ii. The details of Related Party Transactions shall be disclosed in the Annual report of the Company, to the Stock Exchanges and other regulatory bodies as per the provisions of Indian Accounting Standards, the Act, SEBI Listing Regulations or any other applicable laws and regulations. In addition, the Company shall also submit to the stock exchanges disclosures of RPTs in the format as specified by the SEBI from time to time, and publish the same on its website in accordance with the SEBI Listing Regulations.
- iii. The remuneration and sitting fees paid by the Company or its subsidiary to its directors, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require disclosure to the stock exchanges as stated above, provided that the same is not material as defined in this policy.

## **10. REVIEW AND AMENDMENTS**

- i. Based on the recommendations of the Audit Committee, the Board, may review or amend this Policy at any time without any prior intimation and establish further rules or procedures, periodically and as required under the Act or SEBI Listing Regulations, to give effect to this Policy.

- ii. The board is authorized to amend this Policy to give effect to any changes / amendments notified by Ministry of Corporate Affairs or SEBI w.r.t. Related Party Transactions from time to time. Such amended policy shall be periodically placed before the Audit Committee for noting and ratification.

*This policy has been approved by the Board of Directors of the Company in their meeting held on February 11, 2025*