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**INDIAN RENEWABLE ENERGY DEVELOPMENT AGENCY LIMITED**

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

**Amended on 23.05.2022**

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

(Earlier known as policy on related party transactions)

### **1. INTRODUCTION**

This policy on Related Party Transactions (hereinafter referred to as "**Policy**") of Indian Renewable Energy Development Agency Limited (the "**Company**") and the amendment to this Policy, if any, by the board of directors of the Company or any committee thereof shall be effective from the date on which it is approved by the Board or from any other person, authorized by the Board, from time to time.

The Company always been committed to best corporate governance practices and this Policy is prepared for ensuring compliance with the provisions of the Companies Act, 2013, as amended and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended and such other regulatory provisions, as may be applicable.

### **2. OBJECTIVE**

The Policy is framed to ensure due and proper compliance with the applicable statutory provisions and to fortify that proper procedure is defined and followed for approval/ ratification and reporting of transactions, if any, as applicable, between the Company and any of its Related Parties (*as defined below*). The provisions of this Policy are designed to govern the transparency of approval process and disclosures requirements to accord fairness in the treatment of related party transactions.

### **3. DEFINITIONS AND INTERPRETATIONS**

“**Act**” means the Companies Act, 2013, to the extent notified and the Companies Act, 1956, to the extent in force and rules made there under as amended from time to time.

“**Associate Company**” in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

**Explanation—** For the purposes of this clause, significant influence" means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement. Further, "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

“**Audit Committee**” means a committee of the board of directors of the Company constituted under provisions of the Act and Listing Regulations.

“**Board**” shall mean board of directors of the Company.

“**Control**” as defined under the Act includes 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.

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

“**Listing Regulations**” means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

“**Key Managerial Personnel**” as defined under the Companies Act, 2013 means:

- (a) the Chief Executive Officer or the Managing Director or the manager;
- (b) the Company Secretary (CS);

- (c) the Whole- time Director (WTD);
- (d) the Chief Financial Officer (CFO);
- (e) such other officer, not more than one level below the directors who is in the whole- time employment, designated as key managerial personnel by the Board; and
- (f) such other officer as may be prescribed by the MCA from time to time.

**“Material Related Party Transactions”:** As per SEBI LODR Regulations, a transaction with a related party shall be considered 'material' if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1000 crore or 10% (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 5% percent of the annual consolidated turnover, as per the last audited financial statements of the company.

**“Material Modifications of Related Party Transaction”:** in relation to the Company means and include any modification to an existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.

**“Related Party”:** means a Related Party as defined in the Companies Act, 2013, the applicable accounting standards and as per the Listing Regulations:

**a. Under the Companies Act, 2013:** Related Party means:

- a. a Director or his relative;
- b. a Key Managerial Personnel or his relative;
- c. a firm, in which a Director, Manager or his relative is a partner;
- d. a private company in which a Director or Manager or his relative, is a member or Director;
- e. a public company in which a Director or Manager is a Director and holds along

with his relatives, more than two per cent of its paid-up share capital;

- f. 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;
- g. any person on whose advice, directions or instructions a Director or Manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- h. any company which is—

(A) a holding, subsidiary or an associate company of such company; or

(B) a subsidiary of a holding company to which it is also a subsidiary, or

(C) an investing company or the venturer of the company which implies a body corporate whose investment in the Company would result in the company becoming an associate company of the body corporate.

- i. A Director, other than an Independent Director, or Key Managerial Personnel of the holding company or his relative
- j. such other person as may be prescribed under the Companies Act, 2013 or any other statutory provisions for the time being in force

Where "**Relative**" means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if-

- (i) They are members of a Hindu undivided family;
- (ii) They are husband and wife; or
- (iii) One person is related to the another in the following manner namely:
  - (a) Father (including step-father)
  - (b) Mother (including step-mother)
  - (c) Son (including step-son)
  - (d) Son's wife
  - (e) Daughter
  - (f) Daughter's husband

(g) Brother (including step-brother)

(h) Sister (including step-sister)

**b. As per Listing Regulations:** means a Related Party as defined in Section 2(76) of the Companies Act, 2013 or under the applicable accounting standards:

Provided that the following shall be deemed to be a related party:

- a. Any person or entity forming a part of the promoter or promoter group of the company; or
- b. Any person or any entity, holding equity shares of 20% or more in the company (*10% or more in the company w.e.f. April 1, 2023*) 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 Transactions”**

**a. Under the Companies Act. 2013**

Any contract or arrangement with respect to the following shall be considered as a Related Party Transactions:

- i) sale, 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; and
- vii) underwriting the subscription of any securities or derivatives thereof of the Company.

Notwithstanding the foregoing, the following shall not be deemed as Related Party Transactions:

- i) Any transaction which is in the ordinary course of business and on an arms' length basis as determined in terms of this Policy.
- ii) Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder.

**b. As per Listing Regulation**

"Related Party Transaction" means a transaction involving a transfer of resources, services, or obligations between:

- (i) A Listed Entity or any of its Subsidiaries on one hand and a Related Party of the Listed Entity or any of its Subsidiaries on the other hand; or
- (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 (w.e.f. April 01, 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.

Further, the following shall not be a Related Party Transactions:

- (a) Issue of specified securities (i.e., equity shares or convertible securities) on a preferential basis, subject to compliance of the requirements under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) The following corporate actions by the listed entity which are uniformly applicable/ offered to all shareholders in proportion to their shareholding:
  - (i) Payment of Dividend;
  - (ii) Sub-Division or Consolidation of Securities;
  - (iii) Issuance of Securities by way of a Rights Issue or a Bonus Issue; and
  - (iv) Buy-Back of Securities.

**"Subsidiary Company"** shall have the same meaning as specified under section 2(87) 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.

#### **4. DETERMINING "ORDINARY COURSE OF BUSINESS"**

"In the Ordinary Course of Business" means all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, in the normal routine in managing trade or business and is permitted by the objects clause of the Memorandum of Association of the Company. The Company should take into account the frequency of the activity and its continuity carried out in a normal organised manner for determining what is in the ordinary course of business.

#### **5. ASCERTAINING "ARMS' LENGTH" IN RELATED PARTY TRANSACTION**

The expression "arms' 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.

A Related Party with whom the Related Party Transaction is undertaken must have been selected using the same screening / selection criteria / underwriting standards and procedures as may be applicable in case of an unaffiliated party.

The Company shall produce evidence to the satisfaction of the Audit Committee for complying with the said procedure, as and when applicable.

#### **6. DEALING WITH RELATED PARTY TRANSACTIONS (including Material modification thereto):**

The Company shall enter into any contract(s) or arrangement(s) or transaction(s) with a Related Party only after seeking prior approvals of the following, subject to exemptions, if any, under any law for the time being in force: -



## **I Audit Committee:**

All related party transactions shall require prior approval of the Audit committee either by circulation or at a meeting. The Audit Committee may also grant omnibus approval for Related Party Transactions proposed to be entered into by the Company, in line with this Policy, subject to the following conditions:

- a.** The criteria to be considered by the Audit Committee of Directors for granting omnibus approval includes the following:-
  - i. The Audit Committee shall satisfy itself regarding the need for omnibus approval and ensure that such approval is in the interest of the Company;
  - ii. The omnibus approval shall be applicable in respect of transactions which are repetitive in nature;
  - iii. The maximum aggregate value of transactions which can be approved under omnibus route in a year, shall not exceed ten percent of the turnover of the Company for the immediately preceding financial year;
  - iv. The maximum value per transaction which can be allowed shall not exceed two percent of the turnover of the Company for the immediately preceding financial year;
  - v. The transactions are proposed to be entered in the ordinary course of business. While assessing a proposal, the Audit Committee may seek justification/documents from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not.
  - vi. Audit Committee 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.
- b.** Such omnibus approval shall specify:-
  - i. the name(s) of the related party, nature and duration of transaction, maximum amount of transactions that can be entered into, in aggregate in a year, maximum value per transaction which is allowed,
  - 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.

However, where the need for Related Party Transaction cannot be foreseen and aforesaid 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.

- c. Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- d. In case of any transaction, other than transactions referred to in Section 188 of the Companies Act, 2013 and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board.

## **II Board of Directors:**

All Related Party Transactions, which are proposed to be entered by the Company (i) other than in ordinary course of business; and / or (ii) other than on arm's length basis, shall require prior approval of the Board of Directors of the Company, by means of passing of resolution at a meeting of the Board.

Where any Director is interested in any Related Party Transaction, such Director will abstain from discussion and voting on the resolution relating to such transaction.

The respective HODs shall be responsible for placing Agenda before the Audit Committee and /or Board of Directors in respect of all Related Party Transaction(s) requiring approvals (including omnibus approval or ratification) in accordance with the clauses of this Policy:-

The Agenda of the Audit Committee and Board Meeting seeking approval in respect of Related Party Transaction shall disclose the following: -

- (a) Name of the related party and nature of relationship;

- (b) Nature, duration of the contract and particulars of the contract or arrangement;
- (c) Material terms of the contract or arrangement including the value, if any;
- (d) Advance paid or received for the contract or arrangement, if any;
- (e) Manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (f) 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
- (g) Any other information relevant or important for the Board to take a decision on the proposed transaction.

Further, Explanatory Statement to be annexed to the notice of a general meeting seeking approval of shareholders shall contain the following particulars viz.:-

- (a) Name of the Related Party;
- (b) Name of the Director or Key Managerial Personnel who is related, if any;
- (c) Nature of relationship;
- (d) Nature, material terms, monetary value and particulars of the contract or arrangement; and
- (e) Any other information relevant or important for the members to take a decision on the proposed resolution.

### **III Shareholders of the Company:**

Prior approval of the shareholders of the Company shall be required in case of:

- a.** All material related party transactions; and
- b.** All other related party transactions, which are not in ordinary course of business and/or not entered on arm's length basis, whose value exceeds the threshold limits as prescribed under provisions of Companies Act, 2013 read with Rule 15 of the Companies (Meetings of the Board & its Powers) Rules, 2014, as given below through an Ordinary resolution: -

Sl. No.	Nature of transaction as per Section 188 of the Companies Act, 2013	Threshold limit for seeking approval of shareholders
1.	Sale, purchase or supply of any goods or materials	<p>10% or more of the turnover of the Company.</p> <p><i>For the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.</i></p>
2.	Selling or otherwise disposing of, or buying, property of any kind	<p>10% or more of net worth of the Company.</p> <p><i>For the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.</i></p>
3.	Leasing of property of any kind	<p>10% or more of the turnover of the company.</p> <p><i>For the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.</i></p>
4.	Availing or rendering of any services	<p>10% or more of the turnover of the company.</p> <p><i>For the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.</i></p>

5.	Appointment of any agent for purchase or sale of goods, materials, services or property	As per limits prescribed above in point 1, 2 & 4 above
6.	Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company;	At a monthly remuneration exceeding Rs. 2.50 lakh per month.
7.	Underwriting the subscription of any securities or derivatives thereof, of the company.	Exceeding 1% of the Net Worth of the Company.

*Turnover or net worth shall be computed on the basis of the Audited Financial Statement of the preceding Financial Year.*

Prior approval of the Audit Committee/Board/Shareholders, as the case may be, shall not be required in the following cases:

- a. transactions entered into between 2 government companies.
- b. transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

## **7. 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 Related Party Transactions is not feasible owing to paucity of time and also other administrative inconvenience, then such Related Party Transactions 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.

## **8. REPORTING OF RELATED PARTY TRANSACTIONS**

The Company is required to disclose in its Annual Financial Statements and Directors' Report, certain transactions between the Company and Related Parties. The Policy shall also be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report of the Company.

The Company is required to submit to the stock exchanges disclosures of related party transactions in the format as specified by SEBI from time to time and publish the same on its website. The Company shall make disclosures every six months within fifteen days from the date of its publication of its standalone and consolidated financial results.

## **9. AMENDMENT**

The Board or the Audit Committee, as authorized by the Board, may review and amend this Policy from time to time. Chairman & Managing Director, IREDA shall have the power to amend the policy, if required, due to any amendment in the Act, rules, Listing Regulations or any other acts as applicable. In the event of any conflict between this Policy and the Applicable Law, the Applicable Law shall prevail.

## **10. IMPLEMENTATION**

The Policy shall be effective from the date of approval by the Board.

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