



## INDIAN ENERGY EXCHANGE LIMITED

# POLICY ON MATERIALITY AND DEALING WITH RELATED PARTY TRANSACTIONS

### TITLE

This policy shall be called the 'Policy on materiality and dealing with related party transactions'.

### COMMENCEMENT

The Policy shall come in to force with effect from the date of approval of the policy by the Board.

### OBJECTIVE

Related party transactions have been one of the major areas of focus for corporate governance reforms being initiated in India. The changes introduced in the corporate governance norms through the Companies Act, 2013, as amended ("**Companies Act**") and Regulation 23 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended ("**SEBI Listing Regulations**") require the companies to have enhanced transparency and due process for approval of the related party transactions. Pursuant thereto, Section 188 of the Companies Act and Regulation 23 of the SEBI Listing Regulations require the Company to formulate a policy on materiality of related party transactions and also on dealing with related party transactions.

### DEFINITIONS

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

"**Audit Committee**" means the audit committee of the Board of directors of the Company.

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

"**Company**" or "**IEX**" means Indian Energy Exchange Limited.

"**Material related party transaction**" in relation to the Company means a related party transaction which individually or taken together with previous transactions with a related party during a financial year, exceeds ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

"**Ordinary Course of Business**" with reference to a transaction with a related party means a transaction which is:

- carried out in the normal course of business envisaged in accordance with the Memorandum of Association (“**MOA**”) of the Company as amended from time to time;
- historical practice with a pattern of frequency;
- common commercial practice; or
- meets any other parameters/criteria as decided by the Board/Audit Committee from time to time.

“**Policy**” means this policy, as amended from time to time.

“**Related Party**” in relation to the Company means a party related with the Company in any of the ways as laid down in section 2(76) of the Companies Act.

“**Related party transaction**” in relation to the Company means a transaction which is:

- a transfer of resources, services or obligations between the Company and a related party 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 transaction in a contract;
- a contract or arrangement with a related party with respect to:
  - sale, purchase or supply of any goods or materials;
  - selling or otherwise disposing of, or buying, property of any kind;
  - leasing of property of any kind;
  - availing or rendering of any services;
  - appointment of any agent for purchase or sale of goods, materials, services or property;
  - such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company; and
  - underwriting the subscription of any securities or derivatives thereof, of the Company; or
- defined as a “related party transaction” under the relevant provisions of the Companies Act or the SEBI Listing Regulations or any other related law, regulation, standard, etc.

## **INTERPRETATION**

(a) Any words used in this policy but not defined herein shall have the same meaning prescribed to it in the Companies Act or rules made thereunder, The Securities and Exchange Board of India Act, 1992, as amended or rules and regulations made thereunder, the SEBI Listing Regulations, applicable accounting standards or any other relevant legislation/law applicable to the Company.

(b) The reference to the masculine gender in the Policy shall be deemed to include a reference to feminine gender.

(c) 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 Audit Committee and the decision of the Audit Committee 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 external expert as it deems fit.

## **APPLICABILITY**

This policy shall be applicable to all the related party transactions entered in to by the Company except the following:

- (a) Loans/advances given to a related party;
- (b) Guarantee given or security provided in connection with a loan to a related party;
- (c) investment(s) made in a related party;
- (d) Transfer/assignment of obligation under an existing contract/arrangement with a related party to some other person or related party;
- (e) Amendment of an existing contract/arrangement with a related party;
- (f) Cancellation of an existing contract/arrangement with a related party; or
- (g) Transfer of resources assigned to one related party contract/arrangement to another related party contract/arrangement,

provided that in case of (d), (e), (f) and (g) above, the transfer, amendment, cancellation, etc., does not result in to writing off of any amount paid by the Company or enhancement of amount payable by the Company under the said contract/arrangement or reduction in the amount payable to the Company under the said contract/arrangement or waiver of any right with adverse financial implications for the Company.

## **APPROVAL OF RELATED PARTY TRANSACTIONS**

- (a) All related party transactions shall require prior approval of the Audit Committee. The approval of the Audit Committee can be granted by way of a circular resolution. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the provisions of Regulation 23 of the SEBI Listing Regulations.
- (b) All material related party transactions shall require prior approval of the shareholders through resolution.
- (c) In case of related party transaction which is not in the ordinary course of business or which is in the ordinary course of business but is not arm's length transaction, whether or not it is a material related party transaction, prior approval of the Board *vide* a resolution passed at the meeting of the Board shall be necessary.
- (d) Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.
- (e) The related parties shall abstain from voting as shareholders in case of related party transactions which require the approval of shareholders.
- (f) Transactions with related parties exceeding such sums, as prescribed under Section 188 of the Companies Act read with relevant rules prescribed thereunder shall require prior approval of the shareholders.

## **PROCESS FOR DEALING WITH RELATED PARTY TRANSACTIONS**

- (a) A list of all the related parties in relation to the Company received from the Directors shall be updated from time to time.
- (b) Basis the above mentioned list of related parties, every department shall, prior to entering in to any contract or arrangement with a related party, ascertain whether the proposed contract or arrangement satisfies the approval mechanism prescribed under this Policy.
- (c) The contract/arrangement shall not be entered in to without the necessary approval from the Audit Committee/Board/shareholders, as the case may be. Compliance to this condition will strictly be adhered to by the concerned department proposing the underlying contract or arrangement.

## **AMENDMENTS**

The Board of directors shall have the power to amend any of the provisions of this policy, substitute any of the provisions with a new provision or replace this policy entirely with a new policy.