



Clean Max Enviro Energy Solutions Limited  
Policy on Materiality of Related Party Transactions and  
on Dealing with Related Party Transactions

## 1. Preface

**Clean Max Enviro Energy Solutions Limited** (the “**Company**”) shall engage with related parties, with the aim of leveraging scale and driving operational synergies and delivering innovative and value-added products to consumers. The policy on materiality of related party transactions and on dealing with related party transactions (“**Policy**”) sets out certain processes to be followed to ensure that all transactions with related parties are compliant with the applicable laws.

In this regard, the Company has adopted this Policy, which has been approved by the Audit Committee at its meeting held on 13 August 2025 and by the Board at its meeting held on 14 August 2025.

### Commencement

This Policy shall come in to force with effect from the date on which the Board approves this Policy.

## 2. Objective

The changes introduced to the corporate governance norms through Section 188 of the Companies Act, 2013 as amended (“**Companies Act**”), and the rules framed thereunder read with Regulation 23 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended (“**SEBI Listing Regulations**”) require companies to have enhanced transparency and follow due process for approval of related party transactions and formulate a policy on materiality of related party transactions and also on dealing with related party transactions, including clear threshold limits duly approved by the Board in accordance with applicable laws.

The objective of this Policy is to set out (a) the framework for managing transactions between the Company and its related parties, and (b) the materiality thresholds for all RPTs, in accordance with the Companies Act, SEBI Listing Regulations, and other applicable laws. This Policy aims to ensure that all related party transactions are subject to appropriate reporting, approval, and disclosure requirements. This Policy specifically sets out the review and approval process for material related party transactions, with a focus on identifying and managing potential or actual conflicts of interest that may arise from such transactions.

## 3. Definitions and Applicability

- (i) “**Act**” or “**Companies Act**” means the Companies Act, 2013 read with rules made thereunder as amended time to time.
- (ii) “**Arm’s Length Transaction/ Arm’s Length**” means a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determination of arm’s length basis, guidance may be taken from provisions of applicable laws, including the transfer pricing provisions under the Income Tax Act, 1961.
- (iii) “**Audit Committee**” or “**Committee**” means the audit committee constituted by the Board of Directors of the Company under Section 177 of the Companies Act and the provisions of SEBI Listing Regulations, as amended from time to time.
- (iv) “**Board of Directors**” or “**Board**” means the Board of Directors of the Company, as constituted from time to time.
- (v) “**Material Related Party Transaction**” or “**Material RPT**” in terms of the SEBI Listing Regulations means a transaction to be entered into with a Related Party, individually or taken together with previous transactions during a financial year:

- (i) In case of transactions involving payments made with respect to brand usage or royalty, if it exceeds 5% of the annual consolidated turnover of the Company as per its last audited financial statements;
- (ii) In case of any other transaction(s), if the amount exceeds Rs 1,000 crores or 10% (ten percent) of the annual consolidated turnover of the Company as per its last audited financial statements, whichever is lower.
- (vi) **“Material Modification”** in terms of the SEBI Listing Regulations means any modification(s) in the pricing, quantity or overall transaction value having a variance of 20% (twenty percent) or more, in the relevant previously approved Related Party Transaction, as detailed out in Clause 8 of this Policy.
- (vii) **“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 its memorandum of association and articles of association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.
- (viii) **“Policy”** means this Related Party Transaction Policy of the Company.
- (ix) **“Relative”** with reference to a director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder.
- (x) **“Related Party”** means related party as defined under Section 2(76) of the Companies Act or under the applicable accounting standards:

The following shall also be treated as the Related Party –

- a) all persons or entities forming part of promoter or promoter group (including entities over which the promoter or promoter group may have control or significant influence) irrespective of their shareholding;
- b) any person/entity holding equity shares in the listed entity, as below, either directly or on a beneficial interest basis at any time during the immediately preceding financial year to the extent of 10% or more.
- (xi) **“Related Party Transaction or transaction” or “RPT”** means transaction in the nature of contracts involving transfer of resources, services or obligations between the Company or its subsidiaries on one side and the Related Party on the other side, regardless of whether a price is charged.

Explanation: A “transaction” with a Related Party shall be construed to include single or a group of transactions in a contract.

The RPT shall include transactions between:

- a) the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- 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.
- (xii) **“SEBI Listing Regulations”** means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

- (xiii) **"KMP"** shall have the meaning as defined under Regulation 2(1)(o) of the SEBI Listing Regulations read with Section 2(51) of the Companies Act, each as amended from time to time, and includes any person so authorized and designated by the Board of Directors as KMP.

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, the Companies Act and rules and regulations made thereunder, and/or any other applicable law or regulation to the extent applicable to the Company, as amended from time to time.

All RPTs where the Company is a party to such transactions, must be approved by the Audit Committee. Further, the Audit Committee shall review all RPTs as a matter of good governance and suggest such actions, as required under this Policy and applicable law.

#### **4. Disclosure by Directors**

Every director shall at the beginning of the financial year provide information by way of written notice to the Company regarding his concern or interest in the entity with specific concern to parties which may be considered as a Related Party with respect to the Company and shall also provide the list of relatives which are regarded as Related Party as per this Policy.

Directors are also required to provide the information regarding their engagement with other entity(ies) during the financial year which may be regarded as Related Party according to and for the purposes of this Policy.

#### **5. Identification of Related Party Transactions**

All RPTs and subsequent Material Modifications shall be identified and brought to the notice of the Audit Committee of the Company, as per the requirements of the Companies Act and SEBI Listing Regulations and the Audit Committee shall take note and maintain a record of the same.

**Any** employee of the Company who is aware of any transaction that is or may be perceived to be an RPT is required to bring the same to the attention of the Audit Committee of the Company through either the Company Secretary or the Compliance Officer of the Company.

All directors, promoters and KMPs by way of a written notice are responsible for informing the Company of their interest (including interest of their Relatives) in other companies, firms or concerns at the beginning of every financial year and any change in such interest during the year. Additionally, all directors, promoters and KMPs are responsible for providing a written notice to the Company Secretary or the Compliance Officer of the Company of any potential RPT involving him/her or his or her relative, including any additional information about the transaction that the Audit Committee may request. The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction is in the Ordinary Course of Business and on an Arm's Length basis. Any change in the list of Relatives shall be intimated by the directors and KMPs/senior management personnel ("**SMPS**") by way of a fresh declaration to the Company.

**Such** notice of any potential RPT should be given well in advance so that the Company Secretary or the Compliance Officer of the Company have adequate time to obtain and review the information pertaining to the proposed transaction and to refer it to the Audit Committee.

#### **6. Review and approval of Related Party Transactions**

##### **Audit Committee**

- a. Every RPT shall be subject to the prior approval of the Audit Committee.
- b. The Audit Committee may grant omnibus approval for RPT proposed to be entered into by the Company which are repetitive in nature subject to compliance of the conditions contained in the Companies Act and the SEBI Listing Regulations, as amended from time

to time.

Where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction. Such omnibus approvals shall be valid for a period not exceeding 1 year and shall require fresh approvals after the expiry of one year.

The Committee shall also satisfy itself of the need for such omnibus approval and that such approval is in the interest of the Company.

If any additional RPT is to be entered by the Company post obtaining the omnibus approval granted by the Audit Committee, then the Company shall present such a transaction before the Audit Committee in its next meeting for its prior approval.

1. The Audit Committee shall also review the statement of significant RPTs submitted by management as per its terms of reference.
2. Any member of the Committee who has an interest / potential interest in any RPT shall abstain from discussing and voting on the approval of the RPT.
3. To review an RPT, the Committee shall be provided with the necessary information, to the extent relevant, with respect to actual or potential RPTs.
4. The Audit Committee shall recommend the RPTs for approval of Board of Directors / shareholders as per terms of this Policy and applicable law including the Companies Act and SEBI Listing Regulations.

With effect from April 1, 2023, an RPT 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 if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% (ten per cent) of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

In determining whether to approve an RPT or not, the Audit Committee will consider the following factors, among others, to the extent relevant and applicable to the RPT:

1. Whether the terms of the proposed RPT are fair, in the Ordinary Course of Business and are on an Arm's Length basis in relation to the Company and whether the same terms would apply even if the proposed transaction did not involve a Related Party;
2. Whether there are any compelling business reasons / rationale for the Company to enter into the proposed RPT taking into consideration the nature of available alternatives, if any;
3. Whether the proposed RPT would affect the independence of an independent director of the Company;
4. Whether the proposed RPT involves any potential reputational risk issues that may arise from or in connection with the proposed transaction;
5. Whether the Company was notified about the proposed RPT prior to commencement and if not, the rationale behind not seeking prior-approval and whether subsequent ratification is allowed and whether such subsequent ratification is detrimental to the Company; and
6. Whether the RPT creates an improper conflict of interest for any director or KMP of the Company, taking into account the size of the proposed transaction, the overall financial position of the director, executive officer or other Related Party(ies) involved, the nature of interest (whether direct or indirect) of the director's, KMP's or interest of other Related Party(ies) involved in the proposed transaction along with the ongoing nature of any proposed relationship and / or any other factors as deemed material by the Board /

Committee.

### **Approval of the Board and the Shareholders**

- All RPTs which are not in the Ordinary Course of Business and / or are not on an Arm's Length price shall require prior approval of the Board of Directors of the Company. Where any director is interested in an RPT, such director shall abstain from discussing and voting on the subject matter of the resolution relating to such RPT.

Further, all RPTs which are not in the Ordinary Course of Business and / or are not on an Arm's Length price and exceed the threshold limits as prescribed under the Companies Act and the SEBI Listing Regulations, as amended from time to time as per **Annexure 1** shall also require prior approval of the shareholders of the Company by way of an ordinary resolution and all entities falling under the definition of the term Related Parties shall not vote to approve the relevant transaction, irrespective of whether the entity is a party to the particular transaction or not.

Further, the information as prescribed under the Companies Act and/or the SEBI Listing Regulations, from time to time shall be provided in the notice to the shareholders for consideration in case of all RPTs.

- All the Material RPTs and subsequent Material Modifications shall require prior approval of the Board along with approval from the shareholders of the Company through an ordinary resolution and no Related Party shall vote on such resolutions, irrespective of whether the entity is a Related Party to the transaction or not.

Provided that prior approval of the shareholders of the Company shall not be required for RPTs wherein the listed subsidiary of the Company is a party, but the Company is not a party, on account of Regulations 23 and 15(2) of the SEBI Listing Regulations being applicable to such listed subsidiary.

Provided further that the RPTs entered into by the Company with its wholly owned subsidiary(ies) whose accounts are consolidated with the Company and placed before the shareholders at a general meeting for approval of the shareholders, shall not require approval of the Audit Committee, Board or shareholders of the Company.

Provided further that the provisions pertaining to:

- Prior approval of the Audit Committee for all RPTs;
- Omnibus approval for RPTs; and
- Prior approval of Audit Committee, Board or shareholders for Material RPTs and subsequent Material Modifications,

shall not be applicable when a transaction is entered between 2 (two) wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at a general meeting for their approval.

## **7. Related Party Transactions of Subsidiary Companies**

RPTs to which only an unlisted subsidiary of the Company is a party shall require prior approval of the Audit Committee of the Company, provided that the total transaction exceeds the turnover thresholds as prescribed under the SEBI Listing Regulations, from time to time.

Provisions of Regulations 23(2), 23(3) and 23(4) of the SEBI Listing Regulations shall not be applicable in the following cases:

- a) Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- b) Transactions entered into between 2 (two) wholly owned subsidiaries of the Company, whose

accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval. Pricing of Related party transactions.

## **8. Material Related Party Transaction and Subsequent Material Modification**

### **Materiality of Related Party Transaction(s)**

The following materiality thresholds shall apply to Material RPTs and subsequent Material Modification for purposes of the Companies Act and SEBI Listing Regulations:

- a) Transactions with a Related Party covered under Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, shall be governed by the respective limits provided under the said rules.
- b) Transactions with a Related Party as defined under the SEBI Listing Regulations, materiality threshold shall be as per limits specified under the SEBI Listing Regulations, as amended from time to time.

### **Material Modifications**

Any change / modification to a Material RPT shall be considered as 'Material Modification' if it involves:

- a) Significant variations in the terms of agreement with existing Related Parties;
- b) changes in the regulatory framework affecting the pricing guidelines of RPT;
- c) Any change equal to or exceeding 20% (twenty per cent) of the existing limits as approved by the Audit Committee.

The Audit Committee of the Company shall have the final authority in deciding the materiality of the modification to RPTs.

## **9. Policy**

- a) All RPT(s) shall be entered on an Arms' Length basis.
- b) In exceptional circumstances, where permitted by law, RPT(s) of the Company may deviate from the principle of Arm's Length basis, after obtaining requisite approvals from the Audit Committee and the Board of Directors, as required.
- c) In exceptional circumstances, where permitted by law, RPT(s) of a subsidiary which exceed the thresholds specified under Regulation 23 of the SEBI Listing Regulations, may deviate from the principle of Arm's Length, after obtaining approval from its Audit Committee and / or Board of Directors, as the case may be and approval of Audit Committee and shareholders of the Company, if applicable.
- d) All RPTs(s) of the Company shall be in compliance with the provisions of the Companies Act, the SEBI Listing Regulations and the applicable accounting standards, as amended from time to time.
- e) All domestic related party contracts / arrangements shall, wherever applicable, comply with domestic transfer pricing requirement under Section 92BA of the Income Tax Act, 1961 including certification from independent accountants under the transfer pricing regulations.
- f) All international related party contract / arrangements shall comply with international transfer pricing requirement under Section 92B of the Income Tax Act, 1961 including

certification from independent accountants under the transfer pricing regulations.

### **Process for Dealing with Related Party Transactions**

A list of all the Related Parties in relation to the Company received from the Board shall be updated from time to time.

Basis the aforesaid list of related parties, every department shall, prior to entering into any contract or arrangement with a Related Party, ascertain whether the proposed contract or arrangement satisfies the approval mechanism prescribed under this Policy.

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 with this condition will strictly be adhered to by the concerned department proposing to undertake the underlying contract or arrangement.

### **Reporting of Related Party Transactions**

Every contract or arrangement, which is required to be approved by the Board / shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

The details of material transactions with Related Parties will be included in the corporate governance reports which are required to be submitted to the stock exchanges on a quarterly basis.

The Company shall disclose this Policy on its website and a web link thereto shall be provided in the annual report of the Company.

The Company shall submit within 15 (fifteen) days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of RPTs on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website. Provided further that the Company shall make such disclosures every 6 (six) months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2024.

## **10. Policy Amendment and Review**

Any subsequent amendment / modification in the SEBI Listing Regulations or the Companies Act or any other governing act / rules / regulations or re-enactment, impacting the provisions of this Policy, shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be modified and / or amended to that extent, even if not incorporated in this Policy.

This Policy will be reviewed as and when required.

Any change in the Policy shall be approved by the Board of the Company. The Board shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. The Policy shall be reviewed by the Board at least once every 3 (three) years and updated accordingly. Any subsequent amendment / modification to the Act or the SEBI Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.



## **Annexure 1**

Transactions that require prior approval of shareholders of the Company, as prescribed under Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, include the following transactions/contracts/ arrangements:

In relation to contracts or arrangements as referred to in clauses (a) to (e) of sub-section (1) of Section 188 of the Act, the criteria provided below shall be applicable–

- Sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company, as mentioned in clause (a) and clause (e) respectively of subsection (1) of Section 188 of the Companies Act;
- Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the company, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of Section 188 of the Companies Act;
- Leasing of property any kind amounting to ten per cent or more of the turnover of the company, as mentioned in clause (c) of sub-section (1) of Section 188 of the Companies Act; or
- Availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company as mentioned in clause (d) and clause (e) respectively of sub-section (1) of Section 188 of the Companies Act.

These limits shall, however, apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

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