

CLEAN SCIENCE AND TECHNOLOGY LIMITED

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

1. Title

- 1.1 This policy shall be called the Policy on materiality of related party transactions and dealing with related party transactions (“**Policy**”).

2. Commencement

- 2.1 The Policy shall come in to force with effect from the date of listing of the equity shares of face value of ₹ 1 each of Clean Science and Technology Limited (the “**Company**”) on BSE Limited and National Stock Exchange of India Limited.

3. Objective

- 3.1 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 Section 188 of the Companies Act, 2013, as amended and the rules framed thereunder (“**Companies Act**”) and Regulation 23 of the Securities and Exchange Board of India (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 including clear threshold limits duly approved by the Board.
- 3.2 Accordingly, the board of directors (“**Board**”) of the Company has adopted the following policy with regard to related party transactions. The Audit Committee of the Company will review this policy at least once every three years and propose any modifications to the Board for approval.

4. Definitions

- i. “**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.
- ii. “**Audit Committee**” means the audit committee of the board of directors of the Company.
- iii. “**Board**” means the Board of directors of the Company.
- iv. “**Company**” means Clean Science and Technology Limited.
- v. “**Key Managerial Personnel**” or “**KMPs**” means Key Managerial Personnel as defined under the Act and includes:
 - (i) Managing Director, or Chief Executive Officer or Manager;
 - (ii) the Whole Time Director;
 - (iii) Company Secretary;
 - (iv) Chief Financial Officer;

- (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- (vi) such other officer as may be prescribed.
- vi. **“Promoter”** means Promoter as defined under Regulation 2 (1) (oo) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018
- vii. **“Promoter Group”** means Promoter Group as defined under Regulation 2 (1) (pp) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018
- viii. **“Subsidiary”** means a subsidiary as defined under sub-section (87) of Section 2 of the Companies Act, 2013.
- ix. **“Material Related Party Transaction”** 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, (a) exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company (*applicable upto March 31, 2022*) (b) exceeds Rupees One Thousand Crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower (*w.e.f April 1, 2022*).

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 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 audited financial statements of the Company.

- x. **“Ordinary Course of Business”** with reference to a transaction with a related party means a transaction which is:
 - (i) carried out in the normal course of business envisaged in accordance with the Memorandum of Association of the Company as amended from time to time;
 - (ii) historical practice with a pattern of frequency;
 - (iii) common commercial practice; or
 - (iv) meets any other parameters / criteria as decided by the Board/Audit Committee, from time to time.
- xi. **“Policy”** means this policy, as amended from time to time.
- xii. **“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 or under applicable accounting standards.

Provided that *w.e.f. April 1, 2022*:

- (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:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, *w.e.f April 1, 2023*;
in the Company 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; shall be deemed to be a related party.

xiii. **“Related Party Transaction”**: (a) means a transaction involving 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 construed to include single transaction or a group of transaction in a contract (*applicable upto March 31, 2022*). (b) means a transaction involving a transfer of resources, services or obligations (*w.e.f. April 1, 2022*) between:

- (i) 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
- (ii) 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, (*w.e.f. 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.

Provided that the following *shall not* be a related party transaction:

- (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) the following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.
- (c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same alongwith the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:
Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

xiv. **“Relative”** means any person as per Section 2(77) of the Act and rules prescribed there under and as per Regulation 2(1) (zd) of the SEBI Listing Regulations as amended from time to time, means anyone who is related to another, if

- (i) They are members of a Hindu Undivided Family; or
- (ii) They are husband or wife; or
- (iii) One person is related to the another in the following manner, namely:
 - (A) Father, includes step-father
 - (B) Mother, includes step-mother
 - (C) Son includes step-son
 - (D) Son’s wife
 - (E) Daughter
 - (F) Daughter’s husband
 - (G) Brother includes step-brother
 - (H) Sister includes step-sister

- xv. **“Material Modification to Related Party Transaction”** A modification in transactions with a related party shall be considered *material modification* if variance or increase in transactions size to be entered into individually or taken together during a financial year is Rs.5 Crores or more excluding managerial remuneration or such other modification in terms of contract affecting the transactions with related parties as may be thought fit by the Audit Committee.

5. Interpretation

- 5.1 Any words used in this Policy but not defined herein shall have the same meaning prescribed to it in the Companies Act, the Securities and Exchange Board of India Act, 1992, as amended, or rules and regulations made thereunder including the SEBI Listing Regulations, the applicable accounting standards or any other relevant legislation/law applicable to the Company.
- 5.2 The reference to the masculine gender in the Policy shall be deemed to include a reference to feminine gender.
- 5.3 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.

6. Procedure

6.1 Disclosure by Directors

- 6.1.1 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 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.
- 6.1.2 Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this Policy.

6.2 Identification of Transaction with Related Parties

- 6.2.1 Each director and Key Managerial Personnel is responsible for providing notice to the Company or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board /Audit Committee may reasonably request. Audit Committee will determine whether a transaction does constitute a Related Party Transaction requiring compliance with this Policy.
- 6.2.2 Each director and Key Managerial Personnel shall make an annual declaration as per the provisions of the Companies Act and the rules framed thereof with respect to Related Party transactions to the Company and this declaration shall be placed before the Audit Committee and the Board at their first meeting held at the succeeding financial year.
- 6.2.3 Any change in the list of Relatives shall be intimated by the Directors and KMPs by way of a fresh declaration to the Company.

7. Approval of Related Party Transactions

7.1 Audit Committee

- 7.1.1 Related party transactions will be referred to in the scheduled meetings of Audit Committee for review and approval. Any member of the Audit Committee or the Board who has potential interest in any Related Party Transaction will in terms of Rule 15(2) of the Companies (Meeting of Board and its Powers) Rules, 2014 shall not be present at the meeting during the discussions on the subject matter and shall recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.
- 7.1.2 All the transactions which are identified as Related Party Transactions and subsequent material modifications should be pre-approved by those members of the Audit Committee who are Independent Directors before entering into such transaction.
- 7.1.3 The Audit Committee shall consider the following factors while deliberating the related party transactions for its approval:
- i. Name of party and details explaining nature of relationship with the Company or its Subsidiary including nature of its concern or interest (financial or otherwise).
 - ii. Tenure of the proposed transaction;
 - iii. Nature of transaction and material terms thereof including the value, if any;
 - iv. Type, material terms and particulars of the proposed transaction
 - v. Manner of determining the pricing to ascertain whether the same is on arm's length;
 - vi. Business rationale for entering into such transaction; and
 - vii. Value of the proposed transaction
 - viii. The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
 - ix. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
 - a) details of the source of funds in connection with the proposed transaction;
 - b) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - c) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - d) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
 - x. Justification as to why the RPT is in the interest of the Company;
 - xi. A copy of the valuation or other external party report, if any such report has been relied upon;
 - xii. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;

- xiii. Any other information that may be relevant or important for the Board to take a decision on the proposed transaction.
- xiv. Review the status of long-term (more than one year) or recurring RPTs on an annual basis.
- xv. (a) Prior approval of related party transaction to which the subsidiary of the Company is a party but the Company is not a party, 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 Company*.

(b) Prior approval of a related party transaction *w.e.f April 1, 2023* to which the subsidiary of the Company is a party but the Company is not a party, 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*.
- xvi. Transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

7.1.4 In determining whether to approve a Related Party Transaction, the Audit Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- i. Whether the terms of the Related Party Transaction 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;
- ii. Whether there are any compelling business reasons / rationale for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- iii. Whether the Related Party Transaction would affect the independence of an independent director;
- iv. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- v. Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- vi. Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Executive Officer or other Related Party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board / Committee deems relevant.

7.1.5 The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- i. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;
- ii. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- iii. Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (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;

Provided that 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;

- iv. 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; and
- v. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

7.2 **Board of Directors**

7.2.1 In case of Related Party Transaction which is not in the ordinary course of business or not at arm's length transaction, whether or not it is a material Related Party Transaction, prior approval of the Board through a resolution passed at the meeting of the Board shall be necessary.

7.2.2 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.

7.2.3 The policy shall be reviewed by the Board at least once in every three years.

7.3 **Shareholder approval**

7.3.1 All material related party transactions and subsequent material modifications as defined by the Audit Committee shall require prior approval of the shareholders through resolution and no Related Party shall vote on such resolutions whether the entity is a Related Party to the particular transaction or not. However, the said requirement would not be applicable in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016 subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

7.3.2 If a related party transaction is not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds as prescribed under Section 188 of the Companies Act, as

set out under Schedule I it shall require shareholders' approval by a resolution. The Related Parties shall abstain from voting as shareholders in case of Related Party Transactions which require the approval of shareholders.

- 7.3.3 However, the shareholders' approval is not required for the transactions entered into between the Company and its wholly owned subsidiaries or transactions between 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.
- 7.3.4 The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:
- a. A summary of the information provided by the management of the Company to the audit committee as specified in point 4.1.3 above;
 - b. Justification for why the proposed transaction is in the interest of the Company;
 - c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details specified under point 4.1.3 (ix) above;
 - d. A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
 - e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
 - f. Any other information that may be relevant.

7.4 Process for Dealing with Related Party Transactions

- 7.4.1 A list of all the related parties in relation to the Company received from the Board shall be updated from time to time.
- 7.4.2 Basis the above mentioned 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.
- 7.4.3 The contract / arrangement shall not be entered into 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.

8. Reporting of Related Party Transactions

- 8.1 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.
- 8.2 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.
- 8.3 The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report of the Company.
- 8.4 (a) The Company shall submit to the stock exchanges within 30 days from the date of publication of its standalone and consolidated financial results for half year, disclosures of

related party transactions on a consolidated basis in the format as specified in the relevant accounting standards for annual results and publish the same on its website.

(b) the Company, shall make the disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website every six months *within fifteen days* from the date of publication of its standalone and consolidated financial results (*with effect from April 1, 2022*).

(c) 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*).

9. Amendments

9.1 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 three years and updated accordingly. Any subsequent amendment / modification in the Act or the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.

10. Communication of this Policy

10.1 This Policy shall be posted on the website of the Company at www.cleanscience.co.in.

SCHEDULE I

RELATED PARTY TRANSACTIONS

S. No.	Specified Related Party Transaction(s) u/s 188(1) of the Companies Act, 2013	
	Approval of the Board	Threshold
a)	sale, purchase or supply of any goods or material, directly or through appointment of agent	Amounting to 10% or more of the turnover of the Company
b)	selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agent	Amounting to 10% or more of the net worth of the Company
c)	leasing of property of any kind	Amounting to 10% or more of the turnover of the Company
d)	availing or rendering of any services, directly or through appointment of agent	Amounting to 10% or more of the turnover of the Company
e)	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. 2.5 lakhs.
f)	underwriting the subscription of any securities or derivatives thereof, of the Company	Exceeding 1% of the net worth

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