

SUZLON ENERGY LIMITED

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

1. Purpose:

The Board of Directors (the “Board”) of Suzlon Energy Limited (“SEL” or “the Company”), based on recommendations of the Audit Committee, has adopted the Policy on materiality of Related Party Transactions and dealing with Related Party Transactions (the “Policy”) in terms of the requirements of Companies Act, 2013 (“Act”) read with the Rules framed thereunder and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015, as amended (the “Listing Regulations”). This Policy shall be effective from 1st April 2022. The Audit Committee would review and recommend to the Board any amendment / modification to the Policy, as and when required. The Policy shall be reviewed by the Board at least once every three years or such other shorter period as the Board may prescribe.

2. Definitions:

Accounting Standards means accounting standards notified under Section 133 of the Act, as may be applicable to the Company.

Audit Committee means a committee of the Board of Directors constituted as per the requirements of the Listing Regulations and the Act.

Key Managerial Personnel (‘KMP’) means a person who is a KMP, as defined in sub-section (51) of Section 2 of the Act or KMP within the meaning of the Indian Accounting Standard 24 – Related Party Disclosures (‘INDAS 24’).

Policy means this Policy on materiality of Related Party Transactions and dealing with Related Party Transactions, as amended from time to time.

Words and expressions used and not defined in this Policy, but defined in the Act or any Rules framed thereunder or the Securities and Exchange Board of India Act, 1992 and Rules and Regulations framed thereunder or in the Listing Regulations or the applicable Accounting Standards shall, as the context may require, have the meanings assigned to them in those respective Acts / Rules / Regulations / Standards.

3. Materiality thresholds:

The Listing Regulations requires a company to provide materiality thresholds for transactions beyond which the shareholders’ approval will be required.

Material Related Party Transaction in terms of Listing Regulations means transaction to be entered into with a Related Party, individually or taken together with previous transactions during a financial year, exceeding the following thresholds:

- i) In case of transactions involving payments made to a Related Party 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 Rupees 1,000 Crores or 10% of the annual consolidated turnover of the Company as per its last audited financial statements, whichever is lower.

For the purposes of Listing Regulations:

Related Party or **Related Parties** with reference to the Company means:

- i) a related party as defined in Section 2(76) of the Act;
- ii) a related party under the applicable Accounting Standards;
- iii) any person or entity forming a part of the promoter or promoter group of the Company;

- iv) any person or any entity, holding equity shares (i) of 20% or more w.e.f. 1st April 2022 or (ii) 10% or more w.e.f. 1st April 2023 in the Listed Company, either directly or on a beneficial interest basis as provided under Section 89 of the Act at any time during the immediate preceding financial year.

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

- i) The Company (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) The Company (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, 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:

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 listed entity which are uniformly applicable / offered to all shareholders in proportion to their shareholding:
- payment of dividend;
 - subdivision or consolidation of securities;
 - issuance of securities by way of a rights issue or a bonus issue; and
 - 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 along with 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);

4. Manner of dealing with Related Party Transactions:

i) Identification of Related Parties:

Based on declarations / disclosures received from the Directors / KMP, from time to time, the list of Related Parties shall be identified by the Company on periodic basis and that there shall not be a time gap of more than 12 months between two reviews.

ii) Identification of Related Party Transactions:

In the event that a proposed transaction is to be entered into with any of the parties identified as a Related Party in the list of the Related Parties, the proposed transaction shall be considered as a Related Party Transaction.

iii) Arm's length evaluation:

Transactions between Related Parties shall be considered for an Arm's length evaluation prior to any decision on entering them. Arm's length transaction has been defined under Explanation (b) of Section 188 of the Act as the transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

In the absence of any guidance, Transfer pricing guidelines under the Income Tax Act, 1961, may be used for determining the appropriate method for determining arm's length price.

There may be certain transactions which do not need an arm's length evaluation or documentation under the Income-tax Act 1961. In such cases also, it is considered appropriate if the principles of Transfer pricing guidelines under the Income Tax Act, 1961 are used.

In situations, where it is not appropriate to determine the arm's length price through the methods prescribed by the Income-tax Act, 1961, reliance can be placed on expert valuation / obtained from an external agency.

iv) Procedure for approval of Related Party Transactions:

a) Approval of the Audit Committee:

All Related Party Transactions and subsequent material modifications (as described in Annexure A) shall require prior approval of the Audit Committee of the Company. Provided that,

- only those members of the Audit Committee, who are independent directors, shall approve the Related Party Transactions;
- the Audit Committee shall define “material modifications” and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions;
- 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% per cent of the annual consolidated turnover, as per the last audited financial statements of the Company;
- with effect from April 1, 2023, 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% per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;
- 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 listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary. For related party transactions of unlisted subsidiaries of a listed subsidiary as referred herein, the prior approval of the shareholders of the listed subsidiary shall suffice.

However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

- The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy and such approval shall be applicable in respect of transactions which are repetitive in nature.
- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
- The 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.

However, in case of Related Party Transactions, which cannot be foreseen and where the above details are not available, the Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 Crore per transaction.

- The 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.

- Such omnibus approval shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.

b) Approval of the Shareholders of the Company:

- i) All Material Related Party Transactions and subsequent material modifications as defined by the Audit Committee shall require prior approval of the shareholders of the Company by way of a resolution passed at the general meeting of the Company; and no related party shall vote to approve such resolutions whether the entity is a party to the particular transaction or not.

Provided that prior approval of the shareholders of the Company shall not be required for a related party transaction to which the listed subsidiary (if any) is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary. For related party transactions of unlisted subsidiaries of a listed subsidiary as referred herein, the prior approval of the shareholders of the listed subsidiary shall suffice.

Provided further that the requirements specified hereunder 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 recognised stock exchanges within one day of the resolution plan being approved.

- ii) The requirement for seeking shareholders' approval shall not be applicable to transactions, may it be material or otherwise, (i) between the Company and its wholly owned subsidiaries and / or (ii) between two wholly owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

c) Approval of a related party transaction under the Act

Approvals prescribed under sub-clauses (a) and (b) above are in compliance of the requirements of the Listing Regulations.

The Act provides for certain distinct requirements. In terms of the provisions of Section 188 of the Act, all kinds of transactions specified therein, which are material or otherwise, and which are not entered into in the ordinary course of business at arm's length basis, shall be placed before the Board for its approval. Further, if the Audit Committee determines that a particular Related Party Transaction should be brought before the Board, then the Board shall consider and approve the same.

The agenda of the Board Meeting at which approval for Related Party Transactions is sought shall disclose the necessary details as required under the Act. Any Director / KMP having potential interest in any Related Party Transaction shall not participate in discussions and voting.

All Related Party Transactions which are not entered into in the ordinary course of business at arm's length and which are in excess of the limits prescribed under the Act requiring the approval of shareholders, shall require approval of the shareholders by way of a resolution passed at the general meeting of the Company; and in such cases, the Related Party/(ies) to the transaction shall abstain from voting on such resolution.

The requirement for seeking shareholders' approval shall not be applicable to transactions, may it be material or otherwise, between the Company and its wholly owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

For the purposes of this sub-clause (c):

“Related Party Transaction” means a contract, arrangement or transaction of the nature described under Section 188(1)(a) to (g) of the Act, entered into by the Company with a Related Party; and

“**Related Party**” shall have the same meaning assigned to the term under Section 2(76) of the Act.

A transaction with related party(ies) shall be tested against the requirements of the Listing Regulations and the Act and the procedural formalities (as applicable) shall accordingly be complied with by the Company. In the event a transaction fulfils the requirements of it being a ‘related party transaction’ for both the Act and Listing Regulations, the Company shall comply with procedural formalities applicable under both the Act and Listing Regulations harmoniously.

d) General provisions applicable on Board / Audit Committee approval:

- The approval of the Board / Audit Committee can be obtained at the Meeting of Board / Audit Committee or by way of circular resolution subject to the provisions of the Act. In case of approval by way of circular resolution, such approval must be ratified by the Board at its next meeting.
- While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review one or more or all of the following documents / seek one or more or all of the following information, as the case may be, from the management in order to determine if the transaction is in the ordinary course of business and at arm’s length or not:
 1. Name of the related party and nature of relationship;
 2. Nature of the transaction, i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
 3. Key terms (such as duration, price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
 4. Manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
 5. Key covenants (non-commercial) as per the draft of the proposed agreement / contract to be entered into for such transaction;
 6. Any advance paid or received for the contract or arrangement, if any;
 7. 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;
 8. Special terms covered / to be covered in separate letters or undertakings or any other special or sub-arrangement forming part of a composite transaction;
 9. Benchmarking information that may have a bearing on the arm’s length basis analysis, such as:
 - market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 - third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;
 - management assessment of pricing terms and business justification for the proposed transaction;
 - comparative analysis, if any, of other such transaction entered into by the Company.
 10. Any other information relevant or important for the Board to take a decision on the proposed transaction.

The above list is only indicative in nature and depending upon the facts of the case, one or more or all or some other information may be called for / reviewed to determine if the transaction is in the ordinary course of business and at arm’s length.

Further, the Audit Committee / Board may seek external professional opinion, if required.

5. Disclosure Requirements:

Appropriate disclosures as required under the Act / Listing Regulations / any other Laws shall be made at such other places and to the Stock Exchanges on which equity shares of the Company are listed and such other authority as may be prescribed including Audit Committee and Board. The Company shall disclose

the Policy under a separate section on its website www.suzlon.com and shall give a reference in its Annual Report.

6. Related Party Transactions not approved under this Policy:

In the event the Company becomes aware of a transaction with a Related Party that has not been approved under this Policy, the matter shall be put up before the Audit Committee / Board (as applicable) for its review. The Audit Committee / Board shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including but not limiting to ratification, revision or termination of such Related Party Transaction.

7. Disclaimer:

This Policy is subordinate to the Listing Regulations or other applicable statutory provisions including Companies Act, 2013 (collectively referred to as the “Regulations”), as amended, and in the event of disparity between this Policy and the Regulations (including due to subsequent amendments to the Regulations), the provisions of the Regulations will prevail and there would not be any necessity to amend this Policy to that extent.

Annexure A

“Material Modification” in terms of the Listing Regulations, and as approved by the Audit Committee, means any modification(s) in the pricing, quantity or overall transaction value having a variance of 20% (twenty per cent) or more, in the relevant previously approved related party transaction.

POLICY HISTORY DETAILS

| POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING WITH RELATED PARTY TRANSACTIONS | | | |
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| Sr. No. | Date of Board approval | Particulars | Effective Date |
| 1. | 27 th December 2014 | Approval of the Policy in terms of the then applicable Clause 49 of the Listing Agreement | 27 th December 2014 |
| 2. | 27 th March 2019 | Approval of the Policy in terms of the amended Listing Regulations | 1 st April 2019 |
| 3. | 28 th March 2022 | Amendment to the Policy in terms of SEBI (Listing Obligation and Disclosure Requirements) (Sixth Amendment) Regulations, 2021 | 1 st April 2022 |