



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

Version:

Effective Date: April 1, 2022

(Adopted by Board of Directors in Board meeting held on February 10, 2022)

[Pursuant to Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

Schneider Electric Infrastructure Limited

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1. INTRODUCTION, SCOPE & PURPOSE OF THE POLICY

Schneider Electric Infrastructure Limited ("Company") recognizes that related party transactions can present actual or potential conflict of interests which may be against the best interests of the Company or its shareholders. Accordingly, the Board of Directors (the "Board") of the Company, upon the recommendation of the Audit Committee, has adopted this policy and procedures with regard to dealing with the Related Party Transactions (the "Policy").

This Policy is formulated as per the requirement of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 read with amended SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021 (together referred to as "Listing Regulations") read with the provisions of Section 2(76), 177 and 188 of the Companies Act, 2013 & relevant rules made thereunder as amended from time to time.

2. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out:

- (a) the materiality thresholds for related party transactions;
- (b) the material modification thresholds for related party transactions; and
- (c) the manner of dealing with the transactions between the Company and its related parties based on the Act, Regulation 23 of the Listing Regulations and any other laws and regulations as may be applicable to the Company.

3. DEFINITIONS

Definition of some of the key terms used in this policy are given below:

- 3.1 '**Act**' means Companies Act, 2013, and the rules thereunder, as amended from time to time.
- 3.2 '**Arm's Length Transaction**' means a transaction between the two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- 3.3 '**Audit Committee**' or '**Committee**' means the Committee of the Board formed under Section 177 of the Act and Regulation 18 of the Listing Regulations.
- 3.4 '**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 Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.
- 3.5 '**Stock Exchanges**' means the stock exchanges where the specified securities of the Company are listed.

The term **Related Party**, **Related Party Transactions** and **Relative** will carry the meaning as stated under the Act read with relevant rules made thereunder and further read with Listing Regulations.

Words and expressions not defined in this Policy shall have the same meaning as contemplated in the Act read with the rules made thereunder, the Listing Regulations and any other applicable laws or regulations.

4. THRESHOLDS / TERMS AND REFERENCES

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, exceeds **rupees one thousand crore or ten per cent (10%)** of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower, or as may be specified in Listing Regulations.

For this purpose, any transaction involving payments made to related party with respect to brand usage or royalty, either individually or taken together with previous transactions during a financial year, exceeding **five percent (5%)** of the annual consolidated turnover of the Company as per the Company's last audited financial statement, shall also be considered as Material Related Party Transaction.

Material Modification

Regulation 23(2) of the Listing Regulations requires the Audit Committee of a company to define "material modifications" and disclose it as part of this Policy.

Material modification shall mean and include:

- a) any modification to an existing related party transaction exceeding 20% of the existing limit as sanctioned by the Audit Committee / Board, as the case may be;
- b) any modification to an existing material related party transaction, exceeding 20% of the existing limit, as sanctioned by the shareholders.

The Company shall be required to obtain prior approval of the Audit Committee or the Board of Directors or the Shareholders of the Company, as the case may be, for any modification in existing related party transactions exceeding the defined Material Modification criteria.

5. POLICY

- 5.1 The Company shall not enter into any transaction/contract/ arrangement or any material modification thereof with a Related Party without the prior approval of the Audit Committee (at a meeting or by way of circular resolution) unless the transaction /contract/ arrangement / modification enjoys any exemption as provided under the Act or rules made thereunder or under the Listing Regulations.
- 5.2 The Audit Committee may grant omnibus approval for Related Party Transaction proposed to be entered into by the company up to a value of Rs. 1 crore per transaction, subject to the conditions as stated under Regulation 23(3) of SEBI Listing Regulations.
- 5.3 In the event any contract or arrangement with a related party is not in the ordinary course of business or not at arm's length, the Company shall comply with the provisions of the Act and the Rules framed thereunder and obtain approval of the Board or its shareholders, as applicable, for such transaction/ contract /arrangement / modification.
- 5.4 All related party transactions shall be in compliance with the provisions of the Act, Listing Regulations and applicable Accounting Standards, as amended from time to time.
- 5.5 All domestic related party contracts / arrangements shall, wherever applicable, comply with Domestic Transfer Pricing Requirement under section 92BA of Income Tax Act, 1961 including certification from independent accountants under the Transfer Pricing Regulations.

- 5.6 All international related party contract / arrangements shall comply with International Transfer Pricing Requirement under section 92B of Income Tax Act, 1961 including certification from independent accountants under the Transfer Pricing Regulations.
- 5.7 All related party transactions and material modifications, shall require prior approval of the Audit Committee or the Board of Directors or the Shareholders of the Company, as the case may be, as required under and subject to the Act and the Listing Regulations.
- 5.8 To approve a related party transaction, the Committee/ Board/ Shareholders, shall be provided all relevant material information of such transaction, including the terms and such other details as required under the Act, the Listing Regulations read with relevant guidelines, circulars or notifications issued thereunder or by the Audit Committee/ Board, as the case may be.
- 5.9 Quarterly information of all related party transactions shall be placed by the Company for the review of Audit Committee.

6. METHODOLOGY OF PRICE DETERMINATION

- 6.1 The method and manner of determination of arm's length consideration/ price for RPT shall be based on the broad principles that are usually kept in mind while deciding consideration/ price with an unrelated party. Depending upon the nature and circumstances of transaction any of the following methods shall be followed:
 - i. Comparable uncontrolled price
 - ii. Cost plus method
 - iii. Transactional net margin method
 - iv. Cost sharing/ allocation
 - v. Profit Split Method
 - vi. Reduction of loss method
 - vii. Resale price method
 - viii. Any other appropriate method
- 6.2 To avoid any confusion in understanding the above methods, reliance shall be placed on the provisions of Income Tax Act 1961 and the rules made there under, to the extent applicable.

7. DISCLOSURE

- 7.1 The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with Related Parties, along with the justification for entering into such transaction.
- 7.2 Details of all Material Related Party Transactions shall be disclosed by submitting a quarterly compliance report on corporate governance to the stock exchanges in accordance with the Listing Regulations.
- 7.3 Details of related party transactions shall be submitted to the stock exchanges in the format as specified by the Board from time to time and copy of the same will be posted on the website of the Company.
- 7.4 This Policy shall be disclosed under a separate section on the website of the Company and a web link thereto shall also be provided in the annual report of the Company.
- 7.5 The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any Related Party.

8. AMENDMENT

Any subsequent amendment / modification in the Listing Regulations or the 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.

9. REVIEW

This Policy will be reviewed as and when required but atleast once in three years. In case of any changes in the provisions of the Act, the Listing Regulations or any other regulation which are inconsistent with the Policy, such amended provisions would prevail over the Policy.