



# **THERMAX LIMITED**

## **POLICY ON RELATED PARTY TRANSACTIONS**

## **1. References**

Section 188 of the Companies Act 2013 (“the Act”) and the Rules made thereunder (“the Rules”) and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Regulations”), circulars issued by SEBI and any other applicable rules or regulations, as may be amended from time to time, for dealing with related party transactions.

Unless the context otherwise requires, words and expressions used in this Policy but not defined herein shall have the meaning respectively assigned to them in the Act or the Regulations, as amended from time to time.

## **2. Scope and Purpose of the Policy**

The Regulations have mandated every listed company to formulate a policy on materiality of related party transactions and on dealing with related party transactions. Accordingly, the objective of this Policy is to regulate transactions between Thermax Limited (“the Company”) and its related parties as determined, in accordance with the Act, the Regulations and any other laws and regulations for the time being in force and applicable to the Company.

## **3. Applicability**

This Policy shall apply to all related party transactions of Thermax Group entities (hereinafter referred to as “Thermax Group entities”), as may be applicable. All Thermax Group entities are required to adhere to this Policy while entering into related party transactions.

## **4. Identification of related parties and related party transactions**

Related parties shall be identified in accordance with Section 2(76) of the Act, Regulation 2(1)(zb) of the Regulations and under applicable accounting standards.

Related Party Transactions shall be identified in accordance with Section 188 of the Act, the Rules and Regulation 2(1)(zc) and Regulation 23 of the Regulations.

The Company Secretary shall at all times maintain a database of the Company’s related parties, containing names of companies, individuals, firms etc. identified on the basis of declarations made by the Directors and Key Managerial Personnel from time to time. The list of related parties shall be updated as and when necessary and shall be reviewed on quarterly basis.

The list of related parties and any amendment thereto shall be circulated to all the Divisions and subsidiaries once in every quarter/ as and when updated. Prior to transacting with a related party (other than a wholly owned subsidiary of the Company), the concerned finance controller shall send the details of proposed transaction, basis of pricing and other supporting documents, not less than as mandated by the Act or Regulations, to Company Secretary for the approval of the Audit Committee.

## **5. Determination of “ordinary course of business” and “arm’s length”**

While determining “ordinary course of business” the Company shall refer to the Guidelines issued by ICAI, the principles put down by various Courts and provisions of the Act and Rules framed there under. Ordinary course of business shall broadly mean the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and shall include all such activities which the Company can undertake as per its Memorandum & Articles of Association.

Arm’s length transaction shall mean a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. The Company has laid down a Standard Operating Procedure (SOP) to assess whether a transaction with a related party is done at arm’s length and the company adopts generally accepted practices and principles in determining whether the transaction is at arm’s length. The arm’s length pricing shall be periodically tested and confirmed by an independent third-party professional.

## **6. Determination of Materiality of Related Party Transactions**

Material Related Party Transactions shall be identified in accordance with Regulation 23 of the Regulations, as may be amended from time to time.

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

### **A. Approval of the Audit Committee**

- i. Prior approval of the Audit Committee (of Thermax Limited) will be required for all related party transactions and subsequent material modifications thereto.
- ii. Material modification shall mean, change by more than 20% of the earlier approved transaction value.
- iii. Only those members of the Audit Committee, who are independent directors, shall approve related party transactions. Any member of the Audit Committee who has a potential interest in any related party transaction shall recuse himself and abstain from discussion and voting on the approval of the related party transaction.

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, if the value of such transaction exceeds the thresholds as specified in the Regulations.

- iv. The Audit Committee may grant omnibus approval for proposed related party transactions which are repetitive in nature and subject to such criteria / conditions as mentioned under the Act and the Regulations and such other conditions as it may consider necessary in line with this Policy and in the interest of the Company.
- v. The Audit Committee shall review, at least quarterly, the transactions entered into pursuant to omnibus approvals.

- vi. It is not the responsibility of the Audit Committee to determine if there is need to do a transaction with a related party. The selection of a related party in preference to others is at the discretion of the management and/or the Board of Directors. The Audit Committee's responsibility is to satisfy itself that the terms of such transactions are at arm's length and that they are in the ordinary course of business unless otherwise specified.
- vii. The Audit Committee will have the discretion to refer any matter relating to related party transactions to the Board for its opinion.

#### **B. Approval of the Board of Directors**

- i. As per the provisions of Section 188 of the Act, all related party transactions specified under the said section which are not in the ordinary course of business or are not at arm's length are required to be placed before the Board of Directors for its approval.
- ii. Any member of the Board who has any interest in any related party transaction will recuse himself and abstain from discussion and voting on the approval of the related party transaction.
- iii. Prior approval of the Board would be required for material related party transactions. When the first such transaction is put up for approval, a summary of the previous transactions done without Board's approval, because they were below the materiality threshold, shall also be listed for the Board's information.
- iv. Transactions intended to be placed before the shareholders for their approval shall first be considered by the Board.

#### **C. Approval of the Shareholders of the Company**

If a related party transaction is (i) a material transaction as per Regulation 23 of the Regulations, or (ii) not in the ordinary course of business, or not at arm's length basis and exceeds certain thresholds prescribed under the Act, then such related party transaction and any subsequent material modification thereto, shall require shareholders' approval by a resolution.

For companies within Thermax group that are subject to the Regulations: No related party shall vote on resolutions approving related party transactions, regardless of whether they are a related party to the particular transaction or not.

For unlisted companies within the Thermax group where the Regulations do not apply: The related party directly involved in the particular transaction shall abstain from voting on the resolution approving that transaction.

#### **D. Information to be placed for seeking approval**

The Company shall provide the Audit Committee, Board of Directors and the shareholders, as the case may be, with all relevant information, as required under the Act,

the Rules, the Regulations and circulars issued by SEBI from time to time, for consideration and approval of related party transactions.

#### **E. Related party transactions not requiring approval**

Notwithstanding the foregoing, the following related party transactions shall not require approval of Audit Committee, Board of Directors or shareholders:

- i. 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.
- ii. transactions entered into 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.
- iii. such other transactions as may be specified under the Act, the Rules, the Regulations and circulars issued by SEBI from time to time.

#### **8. Disclosures and Reporting**

- i. Details of related party transactions shall be placed before the Audit Committee on a quarterly basis.
- ii. The Board's Report shall contain details of related party transactions as required under the Act.
- iii. The Company shall submit to the stock exchanges disclosures of related party transactions in the format and in accordance with the timelines as specified by the SEBI from time to time, and publish the same on its website as and when required.

#### **9. Related Party Transaction not approved under this Policy**

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy prior to its consummation, the Company would seek post-facto approval from the Audit Committee, the Board and/or shareholders as per applicable laws/ regulations.

- i. Any transaction carried out without appropriate approval of the Audit Committee in accordance with this Policy will be reviewed by it. The Audit Committee shall examine the facts and circumstances pertaining to failure to report and any failure of the systems. The Committee shall take such action as it deems appropriate, including ratification, revision or termination of the concerned related party transaction in accordance with the provisions of the Regulations.

Failure to seek ratification of the Audit Committee shall render the transaction voidable at the option of the Audit Committee, applicable only to those related party transactions that do not require prior approval of the Board or shareholders under applicable laws.

The Audit Committee may require further approval of the Board or shareholders and or the payment of compensation for the loss suffered by the related party.

- ii. If any related party transaction is entered without obtaining the consent of the Board the same is required to be ratified by the Board within three months from the date on which such transaction was entered into. The Board shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to it under this Policy and shall take any such action it deems appropriate.

If the related party transaction is not ratified by Board as mentioned above, such transaction shall be voidable at the option of the Board.

- iii. In cases where a related party transaction is entered into without obtaining the required approval from shareholders, the matter shall be dealt with in accordance with the relevant provisions of the Act and Rules.

**10. Limitation, Review and Amendment:**

In the event of any conflict between the provisions of this Policy and of the Act/the Rules/the Regulations/clarifications/ circulars issued by the relevant authorities or any other legal requirement (“Applicable Law”), the provisions of Applicable Law shall prevail over this Policy. Any subsequent amendment / modification to the Applicable Law shall automatically apply to this Policy.

The Board may review this Policy periodically (and at least once every three years) and make amendments from time to time, as may be deemed necessary (including based on recommendation(s) of the Audit Committee).

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1 <sup>st</sup> Amendment	Board of Directors	January 29, 2016
2 <sup>nd</sup> Amendment	Board of Directors	May 22, 2019
3 <sup>rd</sup> Amendment	Board of Directors	February 4, 2020
4 <sup>th</sup> Amendment	Board of Directors	February 2, 2021
5 <sup>th</sup> Amendment	Board of Directors	February 4, 2022
6 <sup>th</sup> Amendment	Board of Directors	February 7, 2023
7 <sup>th</sup> Amendment	Board of Directors	November 11, 2025