



FIEM INDUSTRIES LIMITED

SUBSIDIARY and RELATED PARTY TRANSACTIONS POLICY

FIEM INDUSTRIES LIMITED

Subsidiary & Related Party Transactions Policy

1. Background

- 1.1 Companies Act, 2013 specifically address the Related Party Transactions (RPTs) approval and reporting procedure under Section 188 and 177 read with Rule 15 and 6A of Companies (Meeting of Board and its Power) Rules, 2014, as amended from time to time. Under some other sections and rules also reporting and disclosure requirements have been provided for RPTs.
- 1.2 In line with Companies Act, 2013, SEBI had amended clause 49 of the Listing Agreement to provide the Related Party Transactions (RPTs) approval and reporting procedure. The captioned Policy (effective from 1st October, 2014) was originally framed in compliance of amended clause 49 of the Listing Agreement and other applicable legal provisions and to provide a policy framework to the aspects of material subsidiaries, materiality of related party transactions and dealing with related party transactions.
- 1.3 Later on, SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 (Listing Regulations) were notified to substitute erstwhile Listing Agreement. To comply with the provisions of Listing Regulations, Company subsequently amended this Policy.
- 1.4 Vide circular dated May 9, 2018, SEBI has notified certain amendments in Listing Regulations, which also require certain changes to be made in this Policy (effective from April 1, 2019). Accordingly, the Board of Directors of the Company at its meeting held on February 9, 2019 had approved the amendment in this Policy.
- 1.5 The captioned policy provides a policy framework to the aspects of material subsidiaries, materiality of related party transactions and dealing with related party transactions.

2. Objectives & Scope

- 2.1 Policy to determine 'Material Subsidiary'.
- 2.2 Policy on 'Materiality' of related party transactions.
- 2.3 Policy on dealing with related party transactions.
- 2.4 Outline the Reporting, Approvals, Disclosures and Compliance framework for related party transactions.

3. Governing Legal Framework

- 3.1 Companies Act, 2013 and Rules framed thereunder (particularly section 188 and 177 and connected Rules).
- 3.2 SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 ("Listing Regulations"), as amended.
- 3.3 Applicable Indian Accounting Standard (IndAS).

4. **Definitions**

- 4.1 “**Audit Committee or Committee**” means Audit Committee constituted by the Board of Directors of the Company under provisions of Companies Act, 2013 and Listing Regulations.
- 4.2 “**Board**” means the Board of Directors of the Company.
- 4.3 “**Company**” means the “**Fiem Industries Limited**” / “**FIEM**”.
- 4.4 All other words, terms and phrases referred and not defined herein, shall have the same meaning as defined under Companies Act, 2013 and the Listing Regulations.

POLICY FOR SUBSIDIARIES

5. **Policy for Determination of ‘Material’ Subsidiary**

- 5.1 Regulation 16(1)(C) of Listing Regulations mandates that the listed entity shall formulate a Policy for determining ‘Material’ subsidiary.
- 5.2 **Material Subsidiary for the purpose of Regulation 16(1)(c):** The Company adopts the criteria indicated in Regulation 16(1)(c) of Listing Regulations to determine the ‘material subsidiary’. Accordingly, a subsidiary shall be considered as ‘material subsidiary’ if the income or net worth of the subsidiary exceeds **10%** of the Consolidated income or net worth of FIEM respectively in the immediately preceding accounting year. Further, following provisions shall be followed by FIEM with respect to such ‘Material Subsidiary’:
- 5.2.1 FIEM shall not dispose of shares in its such material subsidiary, if any, which results in reduction of FIEM’s shareholding (either on its own or together with other subsidiaries) to less than 50% or cease the exercise of control over such material subsidiary without obtaining approval by way of special resolution in FIEM’s General Meeting.
- 5.2.2 Selling, disposing and leasing of assets amounting to more than 20% of the assets of such material subsidiary on an aggregate basis during a financial year, shall require prior approval of FIEM’s shareholders by way of special resolution.
- 5.3 **Material Subsidiary for the purpose of Regulation 24(1):** For the purpose of Regulation 24(1) of Listing Regulations, which pertain to corporate governance requirements with respect to subsidiary of listed entity, the term “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds **20%** of the consolidated income or net worth respectively, of FIEM and its subsidiaries in the immediately preceding accounting year. Accordingly, if any of FIEM’s unlisted subsidiary (whether incorporated in India or not), meet this threshold, then at least one independent director of FIEM shall be appointed on the board of directors of such material unlisted subsidiary.
- 5.4 **Compliance applicable for all subsidiaries:** Company shall follow the following governance requirements with respect to all its subsidiaries:

- 5.4.1 The Audit Committee of the Company shall review the financial statements, in particular, the investments made by its subsidiaries.
- 5.4.2 The Minutes of the Board Meetings of the subsidiaries shall be placed at the Board Meetings of FIEM.
- 5.4.3 The statements of all 'significant transactions and arrangements' entered into by the respective subsidiary shall be periodically placed before the Board Meetings of FIEM. For the purpose of this provision 'Significant transaction or arrangement' shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the respective subsidiary for the immediately preceding accounting year.

POLICY FOR RELATED PARTY TRANSACTIONS

6. Policy on Materiality of Related Party Transactions (RPTs)

- 6.1 Under this clause, the Company is framing the Policy to determine, which transactions with the related parties are to be considered as '**Material Related Party Transactions**'. For this purpose, the Company will follow the criteria indicated in Regulation 23(1) of Listing Regulations. Accordingly, a transaction with **a related party** shall be considered **material** if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year exceed **10%** of the annual consolidated turnover of the company (FIEM) as per the last audited financial statements of the Company.
- 6.2 However, 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 into individually or taken together with previous transactions during a financial year, exceed **2%** of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- 6.3 The term '**Significant Related Party Transactions**' as referred in Schedule II, Part C (B) (2) of Listing Regulations would mean the '**Material Related Party Transactions**' as defined above.

7. General Guidelines for dealing with the Related Party Transactions (RPTs)

- 7.1 While dealing with the Related Party Transactions (RPTs), inter-alia compliance of following will be adhered to:
 - a) Companies Act, 2013 and Rules framed thereunder, especially Section 188 and 177 read with Rule 15 and 6A of Companies (Meeting of Board and its Power) Rules, 2014, as amended from time to time.
 - b) The Listing Regulations, especially Regulation 23.
 - c) Applicable Accounting Standards (IndAS).
- 7.2 The Company has adopted all thresholds for RPTs, as specified under Listing Regulations and Companies Act, wherever applicable.

- 7.3 All RPTs should preferably be in the ordinary course of business and also at arm's length basis / prices.
- 7.4 Each Director and Key Managerial Personal is responsible for providing notice to the Company Secretary of any potential RPT involving him or other party, which comes in the ambit of Related Party connected to him as defined under Section 2(76) of the Companies Act, 2013 read with applicable Indian Accounting Standard. The notice will also have any additional information about the transaction that the Audit Committee may reasonably require. The Audit Committee will determine the requisite applicable approvals for the transaction.
- 7.5 Such notice of any potential Related Party Transaction shall be given well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.
- 7.6 Notwithstanding the forgoing, the following RPTs shall not require approval of Audit Committee, Board or Shareholders:
- i. Any transaction that involves the providing of compensation to a director or key managerial personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
 - ii. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party e.g. Dividend.
- 7.7 In the event the Company become aware of any RPT that is not in compliant with the applicable provisions and as per this Policy, the matter shall be reviewed by the Committee. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPTs to the Committee under this Policy, and shall take such action as it deems appropriate in compliance of law, including, but not limited to, immediate discontinuation or rescission of the Transaction and reporting such instance for appropriate disclosure.

8. Approval Mechanism for RPTs

8.1 Approval by Audit Committee:

- 8.1.1 Unless exempted specifically under any provisions of Companies Act, 2013 and the Listing Regulations, all new RPTs shall require prior approval of Audit Committee and Audit Committee will also consider and decide about the other applicable approvals like approval from Board and Shareholders. If required, Audit Committee may take external expert advice in deciding so.
- 8.1.2 As per Regulation 23(5) of the Listing Regulations, transactions between Company and wholly-owned subsidiary will not be subject to approval of Audit

Committee on fulfilling the conditioned mentioned there in. However, any such transaction may require approval of Audit Committee under section 177, hence Audit Committee shall consider and approve any such Transaction, considering the provisions of section 177 of Companies Act.

- 8.1.3 The Audit Committee may grant omnibus approval for all RPTs which are repetitive in nature and meet conditions as mentioned under Regulation 23(3) of the Listing Regulations and Section 177 of the Companies Act read with Rule 6A of The Companies (Meetings of Board and its Powers) Rules, 2014. Such omnibus approval shall be valid for a period not exceeding one year (financial year) and shall require fresh approval thereafter.

8.2 Approval by Board of Directors:

- 8.2.1 After approval of Audit Committee, the following RPTs would also require the approval of the Board:
- if such RPT is not in ordinary course of business **OR** not at arm's length basis / price **and** within the threshold limits as prescribed under section 188 of the Companies Act read with Rule 15 of Companies (Meetings of Board and its Powers), Rules.

8.3 Approval by Members of the Company:

- 8.3.1 All RPTs which are 'material' with in the definition of Regulation 23 of the Listing Regulations, shall require approval of the shareholders through resolution and all related parties shall abstain from voting on such resolutions, whether the entity is a related party to the particular transaction or not.
- 8.3.2 Even if the RPT is not 'Material' but (i) not in the ordinary course of business **OR** not at arm's length basis/ price **and** (ii) exceeds thresholds limits as prescribed under the Companies Act, 2013 read with Rule 15 of Companies (Meetings of Board and its Powers), Rules, shall require shareholders' approval by a resolution and all related parties shall abstain from voting on such resolutions, whether the entity is a related party to the particular transaction or not.

9. Policy Review

- 9.1 This Policy is framed based on the provisions of the Companies Act, 2013 and rules thereunder and the requirements of the Listing Regulations.
- 9.2 In case of any subsequent changes in the Companies Act, 2013, Listing Regulations or any other applicable rules or regulations which makes any of the provisions in the policy inconsistent with the Act or regulations, the provisions of the Act or regulations would prevail over the Policy with effect from their enforcement and the Policy would be modified in due course to make it consistent with the amended laws.
- 9.3 This Policy shall be reviewed by the Board at least **once in every three years** and would be updated accordingly.
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