



FIEM INDUSTRIES LIMITED

SUBSIDIARY and RELATED PARTY TRANSACTIONS POLICY
(As revised on 12/02/2025)

FIEM INDUSTRIES LIMITED

Subsidiary & Related Party Transactions Policy

1. Background

- 1.1 Companies Act, 2013 (Act) specifically address the Related Party Transactions 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 under the Act, 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, reporting and disclosure mechanism. The captioned Policy 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 and RPTs and became effective from 1st October, 2014.
- 1.3 Later on, SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 (Listing Regulations) were notified to substitute erstwhile Listing Agreement. Accordingly, this Policy again revised to make it in due compliance of the provisions of Listing Regulations and approved in Board Meeting held on February 12, 2016.
- 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 Vide notification dated November 9, 2021, SEBI has notified certain amendments in Listing Regulations, which also require certain changes to be made in this Policy (effective from April 1, 2022). Accordingly, the Board of Directors of the Company at its meeting held on February 14, 2022 had approved the amendment in this Policy.
- 1.6 *Vide notification dated December 12, 2024, SEBI has notified certain amendments in Listing Regulations, which also require certain changes to be made in this Policy. Accordingly, the Board of Directors of the Company at its meeting held on February 12, 2025 has approved the amendment in this Policy.*
- 1.7 The captioned Policy provides a policy framework to the aspects of material subsidiaries, materiality of RPTs and dealing with RPTs.

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), as amended from time to time.
- 3.2 SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 ("Listing Regulations"), as amended from time to time.
- 3.3 Applicable Indian Accounting Standard (IndAS), as amended from time to time.

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 herein and not defined herein, shall have the same meaning as defined under Companies Act, 2013 and / or the Listing Regulations.

A) 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':

- (a) 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 or equal to 50% or cease the exercise of control over such material subsidiary without obtaining approval by way of special resolution in FIEM's General Meeting.
- (b) 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:

- (a) The Audit Committee of the Company shall review the financial statements, in particular, the investments made by its subsidiaries.
- (b) The Minutes of the Board Meetings of the subsidiaries shall be placed at the Board Meetings of FIEM.
- (c) 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.

B) POLICY FOR RELATED PARTY TRANSACTIONS

6. **Policy on Materiality of Related Party Transactions**

- 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, exceeds **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 **5%** of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

6.3 In terms of regulation 23(2) proviso(a) of Listing Regulations, as amended vide Notification dated November 9, 2021, the Audit Committee define the “Material Modification(s)” in RPTs, as increase in the transaction value of already approved RPT by more than 25% in value or such other major variations in other term(s) (like changing the scope of services or goods), as would be considered by Audit Committee as Material Modification(s) on case-to-case basis. The term Material Modification(s), as used in this Policy will be construed accordingly. However, it is made clear that Audit Committee can any time approve the modifications in already approved RPTs, whether prior approved under omnibus approval or specific approval, even without touching the threshold of Material Modification.

7. General Guidelines for dealing with the Related Party Transactions

7.1 While dealing with the Related Party Transactions, inter-alia compliance of following will be adhered to:

- 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.
- The Listing Regulations, especially Regulation 23.
- 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 RPTs shall be given well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

8. Approval Mechanism for RPTs

8.1 Prior Approval by Audit Committee:

Members of the Audit Committee, who are independent directors, shall alone approve RPTs.

- (a) Unless exempted specifically under any provisions of Companies Act, 2013 and the Listing Regulations, all new RPTs *and any subsequent Material Modification(s) therein* 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. All relevant information including information specified under the Companies Act, 2013 and the Listing Regulations shall be provided to the Audit Committee.
- (b) Further only those members of the Audit Committee, who are independent directors, shall approve RPTs or any subsequent Material Modification(s) therein.
- (c) 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 therein. However, any such transaction may require approval of Audit Committee under section 177, if applicable.
- (d) 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. The already granted omnibus approvals can be revised / amended subsequently.

8.2 Annual Review of long-term (more than one year) or recurring RPTs

The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

8.3 Ratification by Audit Committee:

In the event the Company become aware of any RPT that have missed the prior approval of the Audit Committee, and for which prior approval was necessary as per the applicable provisions read with this Policy, then the members of the Audit Committee, who are Independent Directors, may ratify such RPTs within three months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, subject to the following conditions:

- (a) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- (b) the transaction is not material in terms of the provisions of sub-regulation (1) of this Regulation 23;
- (c) rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee at the time of seeking ratification;

- (d) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of Regulation 23;

Provided that failure to seek ratification of the Audit Committee shall render the transaction voidable at the option of the Audit Committee.

8.4 **Approval by Board of Directors:**

After approval of Audit Committee, the following RPTs *and subsequent Material Modification(s) therein* 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.

8.5 **Approval by Members of the Company:**

- (a) All RPTs which are 'material' with in the definition of Regulation 23 of the Listing Regulations *and subsequent Material Modification(s) therein*, 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.
- (b) 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. **Following transactions shall not be considered Related Party Transaction of the Company in terms of SEBI Listing Regulations: (However, any such transaction may require approval of Audit Committee under section 177, if applicable)**

- 9.1 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.
- 9.2 corporate actions which are uniformly applicable/offered to shareholders in proportion of their shareholding such as payment of dividend, subdivision or consolidation of securities by the Company, issuance of securities by way of a rights issue or a bonus issue and buy-back of securities.
- 9.3 retail purchases from FIEM or any of its subsidiaries by its directors or employees, without establishing any business relationship and at the terms which are uniformly applicable/offered to all employees and directors.

9.4 remuneration and sitting fees paid by FIEM or its subsidiaries to its Directors, Key Managerial Personnel (KMPs) or Senior Management Personnel (SMPs), except who is part of promoter or promoter group,

9.5 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.

10. Policy Review

10.1 This Policy is framed based on the provisions of the Companies Act, 2013 and rules thereunder and the requirements of the Listing Regulations.

10.2 In case of any present or subsequent provision 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 of time to make it consistent with the amended provisions.

10.3 Subsequent amendment in Listing Regulations or Companies Act, 2013 read with rules thereunder, requiring change in the Policy shall have impact as if Policy stand amended to give effect to that amendment and the Policy will be revised in due course of time.

10.4 This Policy shall be reviewed by the Board at least **once in every three years** and would be updated accordingly.
