



**FIEM INDUSTRIES LIMITED**

**SUBSIDIARY & RELATED PARTY TRANSACTIONS POLICY**

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### **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 read with applicable Rules under the Act. Under other sections also reporting and disclosure requirements have been provided for RPTs.
- 1.2 In line with Companies Act, 2013, SEBI vide Circulars dated April 17, 2014 and September 15, 2014; had amended clause 49 of the Listing Agreement (effective from 1<sup>st</sup> October, 2014). Inter-alia the amended clause 49 mandates the listed companies to frame Policy to determine material subsidiaries and Policy on materiality of related party transactions and also on dealing with related party transactions.
- 1.3 The captioned policy was originally framed in compliance of amended clause 49 of the Listing Agreement (effective from 1<sup>st</sup> October, 2014) 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.
- 1.4 To substitute erstwhile Listing Agreement SEBI has notified SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 (Listing Regulations), which has become effective from 1<sup>st</sup> December, 2015. Regulation 16(1)(c) of Listing Regulations mandates the listed companies to frame Policy to determine material subsidiaries and Regulation 23 of Listing Regulations mandates for policy on materiality of related party transactions and also on dealing with related party transactions. These provisions of Listing Regulations are similar to corresponding provisions of erstwhile Clause 49 of the Listing Agreement, hence the existing '**Subsidiary & Related Party Transactions Policy**' already comply with the requirements of Regulations 16(1)(c) and 23 of the Listing Regulations.
- 1.5 Therefore, the present revision is mainly carried out to incorporate the reference of relevant Listing Regulations and remove the reference of erstwhile Listing Agreement.
- 1.6 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.
- 3.2 SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 (“Listing Regulations”).
- 3.3 Accounting Standard 18.

### **4. Definitions**

- 4.1 “**Audit Committee or Committee**” means Audit Committee / Audit & Risk Management Committee constituted by the Board of Directors of the Company under provisions of Companies Act, 2013, erstwhile Listing Agreement 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.

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

- 5.1 The Company will follow 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 20% of the Consolidated income or net worth of FIEM respectively in the immediately preceding accounting year.

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

- 6.1 Under this Policy, 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 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.
- 6.3 All **material** RPTs shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.
- 6.4 All existing **material** related party contracts or arrangements, if any, entered into prior to the date of notification of the Listing Regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these regulations, if the same were not already approved in General Meeting.

## **7. Policy on dealing with the Related Party Transactions (RPTs)**

### **General Guidelines:**

- 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
  - b) The Listing Regulations
  - c) Applicable Accounting Standards.
- 7.2 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 requisite applicable approvals like approval from shareholders. If required, Audit Committee may take external expert advice in deciding so.
- 7.3 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.
- 7.4 All RPTs should preferably be in the ordinary course of business and also at arm's length basis / prices.
- 7.5 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 Accounting Standard 18. 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.
- 7.6 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.
- 7.7 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.

7.8 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.

7.9 **Approvals of Past Contracts with Related Parties:** Pursuant to clarification provided in circular No. 30/2014 dated 17<sup>th</sup> July, 2014 of Ministry of Corporate Affairs, Contracts entered into by companies, after making necessary compliances under Section 297 of the Companies Act, 1956, which already came into effect before the commencement of Section 188 of the Companies Act, 2013, will not require fresh approval under the said section 188 till the expiry of the original term of such contracts. Thus, if any modification in such contract is made on or after 1<sup>st</sup> April 2014, the requirements under section 188 will have to be complied with.

## 8. **Policy Review**

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

8.2 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.

8.3 This Policy may be reviewed as and when any changes are to be incorporated in the Policy due to change in regulations or as may be felt appropriate by the Company. Any changes or modification on the Policy would be approved by the Board of Directors of the Company. However, typographical corrections and minor incidental changes may be carried out by authorised officers of the Company.