



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

### **INTRODUCTION:**

This Policy shall be called 'Policy on Materiality of Related Party Transactions and on dealing with Related Parties'.

The Companies Act, 2013 and the Regulation 23 of SEBI (LODR) Regulations, 2015 have laid down various requirements to be fulfilled in case of Related Party Transactions. As per the regulations of SEBI (LODR) Regulations, the Company is required to formulate a policy on materiality of related party transactions and also on dealing with Related Party Transactions. Therefore, the Company hereby formulates a Related Party Transactions Policy covering various aspects to ensure that all such transactions are in the best interest of the Company and its stakeholders.

### **COMMENCEMENT:**

This Policy was in force from August 12, 2020. The same was reviewed and updated by the Board of Directors from time to time and lastly in its meeting held on February 12, 2025.

### **POLICY OBJECTIVE:**

This Policy is framed in accordance with the requirement of the Regulation 23 of SEBI (LODR) Regulations, 2015 and is intended to ensure governance and reporting of transactions between the Company and its Related Parties.

### **DEFINITIONS:**

#### **(A) RELATED PARTY TRANSACTIONS:**

As per the Regulation 2(1)(zc) of the SEBI (LODR) Regulations, 2015, a 'Related Party Transaction' means transaction involving a transfer of resources, services or obligations between:

- (i) a company and a Related Party;
- (ii) A company and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company;

regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.

Provided that the following shall not be a related party transaction:

- (a) The issue of specified securities on a preferential basis, subject to compliance of the requirements under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) The following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
  - (i) Payment of dividend;
  - (ii) Subdivision or consolidation of securities;
  - (iii) Issuance of securities by way of a rights issue or a bonus issue; and
  - (iv) Buy-back of securities.
- (c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the SEBI.
- (d) Acceptance of current account deposit and savings account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other Central bank in the relevant jurisdiction from time to time.

Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon.

- (e) Retail purchases from the Company by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.

As per Section 188 of the Companies Act, 2013, 'Related Party Transactions' are Contracts or Arrangement with a related party with respect to:

- (a) Sale, purchase or supply of any goods or materials;
- (b) Selling or otherwise disposing of, or buying, property of any kind;
- (c) Leasing of property of any kind;
- (d) Availing or rendering of any services;
- (e) Appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; and
- (g) Underwriting the subscription of any securities or derivatives thereof, of the Company.

**(B) RELATED PARTY:**

**As per the Regulation 2(1)(zb) of the SEBI (LODR) Regulations, 2015, an entity shall be considered as 'related' to the Company if:**

- (i) such entity is a "Related Party" under Section 2 (76) of the Companies Act, 2013 or
- (ii) such entity is a 'Related Party' under Accounting Standard 18 and / or any other applicable Accounting Standard.

Provided that:

(a) Any person or entity forming a part of the promoter or promoter group of the Company; or

(b) Any person or any entity, holding equity shares of ten percent or more;

in the Company either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 201, at any time, during the immediately preceding financial year:

shall be deemed to be a related party.

**As per Section 2 (76) of The Companies Act, 2013, 'related party' with reference to a Company means –**

(i) a Director or his relative;

(ii) a key managerial personnel or his relative;

(iii) a firm, in which a Director, manager or his relative is a partner;

(iv) a private company in which a director or manager or his relative is a member or Director;

(v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;

(vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;

(vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

(viii) any body corporate which is—

(a) a holding, subsidiary or an associate company of such company; or

(b) a subsidiary of a holding company to which it is also a subsidiary;

(c) an investing company or the venturer of a company;

Explanation: For the purpose of this clause, “the investing company or the venture of a company” means body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

(ix) Such other person as may be prescribed means a director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.

**'Related Party' as per Accounting Standard 18 is as under:**

Parties are considered to be related if one party has the ability to 'control' the other party or 'exercise significant influence' over the other party in making financial or operating decisions.

**(C) RELATIVES:**

As per Section 2(77) of The Companies Act, 2013, 'Relative' with reference to any person means anyone who is related to another, if -

- i. they are members of a Hindu Undivided Family;
- ii. they are husband and wife; or
- iii. one person is related to the other in any of the following manner:
  - (a) Father (including step-father)
  - (b) Mother (including step-mother)
  - (c) Son (including step-son)
  - (d) Son's wife
  - (e) Daughter
  - (f) Daughter's husband
  - (g) Brother (including step-brother)
  - (h) Sister (including step-sister)

**(D) MATERIAL RELATED PARTY TRANSACTION:**

As per proviso to Reg. 23 (1) of SEBI (LODR) Regulations, 'Material Related Party Transaction' means a transaction with a related party where such transaction to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the Annual Turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

**(E) ARM'S LENGTH TRANSACTION:**

As per Section 188(1) of The Companies Act, 2013, 'Arm's Length Transaction' means a transaction between two 'related parties' that is conducted as if they were unrelated, so that there is no conflict of interest.

**IDENTIFICATION OF RELATED PARTY TRANSACTIONS:**

The Policy is intended to:

- (i) Identify all transactions which fall within the ambit of Related Party Transactions as per the provisions of the Regulation 23 of SEBI (LODR) Regulations, 2015 and / or Section 188 or any other applicable section of the Companies Act, 2013 and the rules made thereunder;
- (ii) Provide necessary disclosures / declaration of Interest from each Director to the Company of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee and the Board.
- (iii) The Board to record the disclosure of Interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. The Company prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

## **REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS AS PER THE SEBI (LODR) REGULATIONS, 2015:**

All Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee whether at a meeting or by resolutions by circulation.

Provided that only those members of the Audit Committee, who are Independent Directors, shall approve related party transactions.

Provided further that a related party transaction to which the subsidiary, if any, of the Company, is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

Provided further that prior approval of the Audit Committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if Regulation 23 and 15(2) of the SEBI (LODR) Regulations, 2015 are applicable to such listed subsidiary.

*Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred in above para, the prior approval of the Audit Committee of the listed subsidiary shall suffice.*

Further, remuneration and sitting fees paid by the Company or its subsidiary, if any, to its Directors, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of Regulation 23(1) of the SEBI (LODR) Regulations, 2015.

All the Material Related Party Transactions and subsequent material modifications as defined by the audit committee shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolution, whether the entity is a related party to the particular transaction or not.

### **A. Omnibus Audit Committee approval:**

**i)** The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiary, provided it is satisfied that there is a need to grant such approval and the same is in the interest of the Company . Such approval may be granted by Audit Committee for the proposed transactions subject to the following:

- a) Transactions are repetitive in nature;
- b) Transactions are conducted on Arm's Length basis;
- c) Transactions are in the ordinary course of business

**ii)** Such omnibus approval shall specify the following:

- a) Name of the related party,
- b) Nature of transaction
- c) Period of transaction
- d) Maximum amount of transaction

- e) The indicative base price/current contracted price and formula for variation in the price if any, and
- f) Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been amended. Any proposed variations/amendments to these factors shall require a prior approval of the Audit Committee.

Provided that where the need for related party transaction cannot be foreseen and aforesaid details mentioned in point no.1 to 6, are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees One Crore per transaction.

*iii)* The Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company and/or its subsidiary company pursuant to each of the omnibus approval given. Further, such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of the said period.

#### **b. Ratification of Related Party Transactions by Audit Committee:**

The members of the Audit Committee, who are Independent Directors, may ratify related party transactions 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 Regulation 23(1) of the SEBI (LODR) Regulations, 2015;
- 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 Regulation 23(9) of the SEBI (LODR) Regulations, 2015.
- e) Any other condition as specified by the audit committee.

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorized by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by the Company.

#### **The Related Party Transactions shall not be applicable to the following cases:**

- (i) transactions entered into between two public sector companies;
- (ii) transactions entered into between a Holding Company and its Wholly-owned Subsidiary whose accounts are consolidated with such holding company and placed before the Shareholders at the General Meeting for approval.

- (iii) Transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- (iv) Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand.
- (v) Transactions entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand.

**Board of Directors and Shareholders' approval:**

In accordance with Section 188 of the Companies Act, 2013 and Listing Regulations, the Board of Directors and Shareholders of the Company shall accord prior approval for Related Party Transactions, subject to the following:

**1. Board of Directors and Shareholders' approval in terms of Companies Act, 2013:**

All Related Party Transactions which are either not on arm's length basis or not in the Ordinary Course of Business shall be recommended by the Audit Committee for their approval of the Board of Directors.

Provided the transactions as prescribed below shall be further recommend by the Board of Directors for the approval of the Shareholders of the Company by way of Ordinary Resolution, as provided under Section 188 of the Companies Act, 2013 read with related rules issued thereunder:

<b>Transaction covered</b>	<b>Transaction value</b>
Sale, Purchase or supply of any goods or materials directly or through appointment of agents	>10% of Turnover or more.
Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents*	>10% or more of Net Worth.
Leasing of property of any kind*	>10% or more of Net Worth or 10% or more of turnover.
Availing or rendering of any services directly or through appointment of agents*	>10% of Turnover or Rs.50.00 Crore, whichever is lower
Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company	monthly remuneration > Rs.2.5 lakhs
Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company*	>1% of Net Worth

*\* The above limits shall apply for these transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.*

The concerned related party (ies) which are related to that transaction shall not vote to approve such relevant resolution, whether the entity is a related party to a particular

transaction or not.

## **2. MATERIALITY THRESHOLDS**

The Listing Regulations require a Company to provide materiality thresholds for related party transactions or modifications therein, beyond which the shareholders' approval will be required by way of a resolution. The Company has fixed its materiality threshold at the level prescribed under Explanation to Regulation 23 (1) the Listing Regulations (i.e. transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeding Rs. 100 Crores or 10% of the annual consolidated turnover of the Company as per last audited financial statements of the Company), whichever is lower. Accordingly, in terms of Regulation 23 of the Listing Regulations, all Material Related Party Transaction and modification therein shall be recommended by the Board of Directors to the Shareholders for their approval by way of Ordinary Resolution.

No entity falling under the definition of related party shall vote to approve such resolutions irrespective of whether the entity is a related party to the particular transaction or not.

### **DECISION REGARDING TRANSACTIONS ARE IN ORDINARY COURSE OF BUSINESS AND ARE AT ARM'S LENGTH BASIS:**

The Audit Committee or the Board shall, in respect of the Related Party Transactions referred to them for approval, shall after considering the materials placed before them, shall judge if the transaction is in the ordinary course of business or at arm's length basis. In case the Audit Committee is not able to arrive at such a decision, the same shall be referred to the Board, which shall decide if the transaction is in the ordinary course of business or at arm's length basis. In case the Board is not able to arrive at such a decision, the same shall be decided by the Independent Directors, whose decision shall be final.

### **RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY:**

In the event the Company becomes aware of a Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate. In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. in connection with any review of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

This Policy will be communicated to all operational employees and other concerned persons of the Company and is being placed on the website of Fairchem Organics Limited at [www.fairchem.in](http://www.fairchem.in).