

FOSECO INDIA LIMITED

Policy on Related Party Transactions

1. OBJECTIVE OF THE POLICY

Section 188 of the Companies Act, 2013 (**“the Act”**) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (**“the Rules”**) including Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, effective from 1st December, 2015 [**“SEBI Listing Regulations”**] lays down the framework for Related Party Transactions. Regulation 23(1) of SEBI Listing Regulations requires a listed company to formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits.

Accordingly, the Board of Directors (**“the Board”**) of Foseco India Limited (**“FIL or the Company”**) acting upon the recommendation of its Audit Committee has adopted the following policy and a standard operating procedure, including amendments thereof from time to time, for identification of related parties, for regulating transactions between FIL and its related parties, and for proper conduct and documentation of all related party transactions, in compliance with the applicable provisions of the Act, the Rules and the SEBI Listing Regulations.

The objective of this Policy is to ensure that the Related Party Transactions (defined hereinafter) are based on the principles of transparency and arm’s length pricing. Likewise, this Policy aims at preventing and providing guidance in situations of potential conflict of interests in the implementation of Related Party Transactions, including where FIL is not a party. This Policy sets out (a) the materiality thresholds for related party transactions, (b) define material modification and (c) the manner of dealing with and disclosing the transactions between the Company and its related parties as required under the Act, the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

2. DEFINITIONS

“Audit Committee or Committee” means Committee of Board of Directors of FIL.

“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. The provisions dealing with Transfer Pricing under the Income Tax Act, 1961 should be taken as a basis for determining arm’s length transactions

“Board” means Board of Directors of FIL

“Control” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 as amended from time to time.

“Key Managerial Personnel” means key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer

“Material Modification” shall mean increase of such amount in the existing omnibus values that will make the proposed revised values equivalent to the threshold limits as prescribed under:

- (i) Rule 15(3) the Companies (Meeting of Board and its Power) Rules, 2014; or
- (ii) Regulation 23(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; or
- (iii) Regulation 23(1A) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015,

as the case may be.

Provided that, a modification mandated pursuant to change in law, or pursuant to and in accordance with the terms of the approved transaction/contract, or resulting from change in constitution of either of the parties pursuant to schemes of arrangement (e.g. merger, amalgamation, demerger, etc.), or is of a nature which is purely technical and does not result in substantive change or alteration of rights, interests, and obligations of any of the parties, or is uniformly affected for similar transactions with unrelated parties shall not be regarded as material modification.

“Material Related Party Transactions under the Companies Act” means transactions as provided in Section 188 of the Act, entered into with a related party as defined under Section 2(76) of the Act that is not in the ordinary course of business or not on an arm’s length basis and exceeds the threshold as specified in Rule 15 of Companies (Meetings of the Board and its Powers) Rules, 2015.

“Material Related Party Transactions under SEBI Listing Regulations” means a transaction with a related party where the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1,000 crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Provided that, 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% or the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“Ordinary Course of Business (‘OCB’)” means a transaction which/wherein:

- (i) is carried out in the normal course of business envisaged in accordance with the Memorandum of Association (‘MoA’) of the Company as amended from time to time, or
- (ii) is as per historical practice with a pattern of frequency, or
- (iii) is in connection with the normal business carried on by the Company, or
- (iv) the income, if any, earned from such activity / transaction is assessed as business income in the Company’s books of accounts and hence is a business activity, or
- (v) is common commercial practice, or
- (vi) meets any other parameters / criteria as decided by the Board/Audit Committee.

“Policy” means Related Party Transaction Policy.

“Related Party” means related party as defined in Section 2(76) of the Companies Act 2013 read with Regulation 2 (1)(zb) of the SEBI Listing Regulations which is as follows:

A ‘related party’ is a person or entity that is related to FIL. 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, directly or indirectly, in making financial and/or operating decisions and includes the following:

1. A person or a close member of that person’s family is related to a Company if that person:
 - a. is a related party under Section 2(76) of the Companies Act, 2013, as amended from time to time, which in 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 2% 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; or
 - (C) an investing company or the venturer of the Company.

Explanation: The investing company or the venturer of a company means a 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; **or**
 - b. has control or joint control or significant influence over the Company; **or**
 - c. is a key management personnel of the Company or of a parent of the Company; **or**
- 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:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023;in the Company either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediately preceding financial year; shall be deemed to be a related party.
2. 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, as laid down in Clause 1 above; **or**
 - (ii) such entity is a related party under the applicable accounting standards.

“Related Party Transactions” means such transactions as specified under the Act and Rules made thereunder and Regulation 2(1)(zc) read with Regulation 23 of the SEBI Listing Regulations, including any amendment or modification thereof, as may be applicable. **“Related Party Transaction”** means a transaction involving a transfer of resources, services or obligations between:

- (i) FIL or any of its subsidiaries on one hand and a related party of the FIL or any of its subsidiaries on the other hand; or
- (ii) FIL or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the FIL or any of its subsidiaries, with effect from April 1, 2023;

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 transactions:

- (a) 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;
- (b) the following corporate actions by the FIL 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;
 - iv. buy-back of securities; and

v. such other related party transactions as may be specified by Applicable Laws to be exempt.

In case any difficulty or doubt arises in the interpretation of this Policy, the decision of the Chairperson of the Audit Committee shall be final.

3. POLICY GUIDELINES

All related party transactions entered into by FIL shall be tabled at the Quarterly Audit Committee Meetings. FIL shall not enter into any transaction or any contract or arrangement with a Related Party without obtaining the prior approval of the Audit Committee. All related party transactions and subsequent material modifications must be reported to the Audit Committee and referred for obtaining prior approval, in accordance with this Policy.

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

In the event that any contract or arrangement with a related party is not in the ordinary course of business or not at arm's length and exceeds the thresholds given in the Act and/or attracts the materiality concept detailed under SEBI Listing Regulations or as defined in this Policy, FIL then shall comply with the provisions of the Act and the Rules framed thereunder and the SEBI Listing Regulations, by obtaining prior approval of the Board of the Company and/or its shareholders, as applicable, for such contract or arrangement.

No related parties shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board/Audit Committee or approval by a resolution in the general meeting and if it is not ratified by the Board/Audit Committee or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify FIL against any loss incurred by it.

Without prejudice to anything contained in the preceding paragraph, it shall be open to the Company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement.

4. CRITERIA FOR GRANTING OMNIBUS APPROVAL

The Audit Committee may, in the interest of the smooth conduct of affairs of the Company, grant omnibus approval for related party transactions proposed to be entered into by the Company, subject to the following conditions, namely-

- i) the related party transactions are repetitive in nature (in past or in future);

- ii) the related party transactions are in the interest of the Company;
- iii) justification for the need of omnibus approval;
- iv) the following minimum information is provided to the Audit Committee:
 - a. The name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that shall be entered into;
 - b. The indicative base price / current contracted price and the formula for variation in the price, if any;
 - c. transactions which cannot be subject to the omnibus approval by the Audit Committee;
 - d. Review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the Company pursuant to each omnibus approval made: and
 - e. Such other conditions as the Audit Committee may deem fit.

Provided that where the need for Related Party Transaction cannot be foreseen and for which the aforesaid details are not available, the omnibus approval of the Committee is granted for entering into the transaction(s) up to a value of Rs. 1 crore per transaction per party.

The said related party transactions shall be brought up for approval in the immediately next Audit Committee Meeting. Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.

In line with Rule 6A(6) of the Rules, omnibus approval shall not be granted for transactions in respect of selling or disposing of the undertaking of the Company.

In compliance to the approval of the Board of Directors, the Audit Committee of the Company has specified following criteria for granting omnibus approval:

- a) The maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a year will be 25% of the annual turnover of the company as per its last audited financial statements.
- b) The maximum value per transaction which can be approved under omnibus route will be the same as per the materiality threshold as defined elsewhere in this Policy.

Transaction of following nature will not be subject to the omnibus approval of the Audit Committee:

- a) Transactions which are not at arm's length or not in the ordinary course of business.
- b) Transactions which are not repetitive in nature.
- c) Transactions exceeding materiality thresholds as laid down in Clause 5 of the Policy.
- d) Transactions in respect of selling or disposing of an undertaking of the Company.
- e) Financial Transactions e.g. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties.
- f) Any other transaction the Audit Committee may deem not fit for omnibus approval.

5. MATERIALITY THRESHOLDS

Regulation 23 of the SEBI Listing Regulations requires the Company to provide materiality thresholds for transactions beyond which prior approval of the shareholders' will be required by way of a resolution.

FIL has fixed its materiality thresholds at the level prescribed under explanation to Regulation 23(1) of the SEBI Listing Regulations as under:

- 1) In case of transaction involving payments made to a related party with respect to brand usage or royalty, if it exceeds five percent (5%) of the annual consolidated turnover of the Company as per its last audited financial statements.
- 2) In case of any other transaction with a related party, where the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rupees 1,000 crore or ten percent (10%) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.
- 3) Further, Regulation 23 of the SEBI Listing Regulations provide that any subsequent material modifications to the terms of such transactions, as defined by the Audit Committee, shall also require shareholders' prior approval by way of a resolution. Material modification shall be construed as one meeting the conditions as provided in Clause 2 of this Policy.

6. IDENTIFICATION OF RELATED PARTY TRANSACTIONS

Each Director and Key Managerial Personnel will be responsible for providing notice to the Board or Audit Committee of any potential related party transaction involving him or her or his or her relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. The Board/Audit Committee will determine whether the transaction does, in fact, constitute a related party transaction requiring compliance with this policy.

FIL shall receive such notice of any potential related party transaction well in advance, preferably before the Audit Committee/Board Meeting wherein the decision will be taken, so that it has adequate time to obtain and review information about the proposed transaction(s).

7. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

- (i) In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, or has exceeded the limit of omnibus approval granted, the matter shall be reviewed by the Audit Committee. The Company would obtain post-facto approval from the Audit Committee, the Board and/or shareholders of the Company as required under applicable law. In case the Company is not able to take such prior approval from the Audit Committee, the Board and/or shareholders of the Company, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as post-facto approval is obtained as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this Policy.

- (ii) 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.
- (iii) 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, immediate discontinuation or rescission 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/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

8. DISCLOSURE / DISSEMINATION

This policy on related party transaction should be uploaded on the website of the Company.

The Annual Report should contain reference to this policy and a web-link shall be provided therein.

Details of all material transactions, if any, with Related Parties shall be disclosed every quarter in the Compliance Report on Corporate Governance, filed with the Stock Exchanges, as required under the Regulations and the same shall be placed / taken note of at the meeting of the Board of Directors.

The report of related party transactions submitted with the Stock Exchanges must be placed by the Company on its website.

Any subsequent amendment/modification in the provisions of related party transactions, shall automatically apply to this Policy. Any amendment to this Policy made pursuant to the amendment in the provisions of related party transactions, shall become effective from the date when any such amendment to the Act or Regulations as the case may be notified in the Official Gazette or effective date specifically stated therein.

Provided further that the requirements specified hereinabove shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

9. SCOPE / LIMITATIONS

Irrespective of the fact whether the Policy captures all the salient features of related party transactions and related compliances or not, as detailed in the Act or SEBI Listing Regulations, the Policy shall be deemed to include all such provisions that is covered under the Act or under SEBI Listing Regulations as is existing on the date of adoption of this updated Policy or as it may exist hereinafter.

In the event of any conflict between the provisions of this Policy, the Act and the Rules prescribed thereunder and / or the SEBI Listing Regulations, as the case may be, the provisions of the Act and the Rules prescribed thereunder and / or the SEBI Listing Regulations, as the case may be, shall prevail over this Policy.

10. REVIEW

The Policy and its material threshold limits shall be reviewed and approved by the Board of Directors of FIL at least once in every three years, or as frequently as may be prescribed under the applicable regulations, and updated accordingly.

11. AMENDMENT

The Board of FIL shall review and may, on the recommendation of the Audit Committee, amend this Policy from time to time.

Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Act and the Rules prescribed thereunder and / or the SEBI Listing Regulations. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail over the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.

Dated: 30 April 2024

Place: Pune