

Fedders Electric and Engineering Limited
(Formerly Fedders Lloyd Corporation Limited)

**POLICY ON RELATED PARTY
TRANSACTIONS**

1. PREAMBLE

This Policy on Related Party Transactions is prepared and adopted to build a framework for the Related Party Transactions of Fedders Electric and Engineering Limited (“Company”) (formerly Fedders Lloyd Corporation Limited), in accordance with the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) read with the provisions of the Companies Act, 2013 (“the Act”) and relevant rules made thereunder as amended from time to time. This Policy shall regulate the transactions between the Company and its Related Parties as per the requirements and disclosures under the applicable laws and regulations.

2. DEFINITIONS

2.1. **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.

2.2. **Key Managerial Personnel** (KMPs) in relation to Company means Chief Executive Officer, Managing Director, Whole-time Director, Manager, Company Secretary, Chief Financial Officer and any other person as may be defined as key managerial personnel under the applicable laws and regulations.

2.3. **Material Related Party Transaction** means a transaction with a related party if the transaction/transaction to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or such other limits as may be prescribed under the Act.

2.4. **Ordinary Course of Business** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per Memorandum & Articles of Association of the Company. The Board and Audit committee may lay down principles for determining activities in ordinary course of business in accordance with statutory requirements and other industry practices and guidelines from time to time.

2.5. **Policy** means this Policy on Related Party Transactions.

2.6. **Related Party** means related party as defined in the Listing Regulations which is as follows:

An entity shall be considered as related to the Company if:

- (i) such entity is a related party under Section 2(76) of the Act, 2013; or
- (ii) such entity is a related party under the applicable accounting standards.

2.7. **“Relative”** means relative as defined under the Act and includes anyone who is related to another, if –

- i. They are members of a Hindu undivided family
- ii. They are husband and wife
- iii. Father (including step-father)
- iv. Mother (including step-mother)
- v. Son (including step-son)

- vi. Son's wife
- vii. Daughter
- viii. Daughter's husband
- ix. Brother (including step-brother)
- x. Sister (including step-sister)

2.8. **“Related Party Transactions”** means any transaction involving transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged, including but not limited to the following:

- i. sale, purchase or supply of any goods or materials;
- ii. selling or otherwise disposing of, or buying, property of any kind;
- iii. leasing of property of any kind;
- iv. availing or rendering of any services;
- v. appointment of any agent for purchase or sale of goods, materials, services or property;
- vi. appointment to any office or place of profit in the Company.

Explanation: "Transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

3. APPROVAL PROCESS

3.1. Approval of the Audit Committee

All Related Party Transactions shall be subject to the prior approval of the Audit Committee including Companies Act, 2013, Regulation 23 of the Listing Regulations and provisions of this policy, grant omnibus approval to Related Party Transactions and subject to satisfaction of the following conditions:

- a) The Committee satisfies itself that there is specific need for such omnibus approval and also that such approval is in the interest of the Company;
- b) Such Related Party Transactions are repetitive in nature;
- c) The approval shall specify the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, the indicative base price / current contracted price and the formula for variation in the price, if any and such other condition as the Audit Committee may deem fit.
- d) Where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction.

Validity Period: Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

3.2. Approval of Board of Directors

The following Related Party Transactions shall be subject to prior approval of the Board of Directors:

- i. If the Audit Committee is of opinion that a particular Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter;

- ii. Where it is mandatory under any law for Board of Directors to approve the Related Party Transactions.
- iii. Related Party Transactions, in which the directors or the Key Managerial Personnel are concerned or interested.
- iv. Related Party Transactions which are not:
 - In the ordinary course of business; or
 - Conducted at an arm's length basis.

3.3. Procedure/Criteria for approving the Related Party Transactions

- (a) In determining whether to approve a Related Party Transaction, the approving authority, amongst others, will consider the following factors to the extent relevant in the matter:
 - i) Whether the terms of the Related Party Transaction are fair and on arm's length basis with the Company and would apply on the same basis if the transaction did not involve a Related Party;
 - ii) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
 - iii) Whether the Related Party Transaction would affect the independence of any independent director or any KMP of the Company;
 - iv) Whether the proposed transaction includes any potential reputational risk issues including but not limited to violation of applicable laws and regulations that may arise as a result of or in connection with the proposed transaction;
 - v) Whether the Related Party Transaction would present an improper conflict of interest for any director or KMP of the Company, taking into account the size of the transaction, the overall financial position of the director, executive officer or other Related Party, the direct or indirect nature of the director's, KMP's or other Related Party's interest in the transaction, the ongoing nature of any proposed relationship and any other factor, the Committee deems relevant.
- (b) No Director shall participate in any discussion or approval of a contracts or arrangements w.r.t. Related Party Transaction in case such director is concerned or interested.
- (c) If necessary, the independent directors may seek external professional advice in determining whether a transaction is in the ordinary course of business or at arm's length basis.

3.4. Approval of Shareholders

All Material Related Party Transactions will be placed for approval of the shareholders of the Company through special resolution and related parties who are concerned/interested shall abstain from voting on such resolutions. It is further clarified that all entities falling under the definition of Related Parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

4. DISCLOSURE BY THE DIRECTORS AND KMPs

- 4.1. Each Director pursuant to Section 184 of the Act and Key Managerial Personnel pursuant to Section 189 of the Act shall disclose to the Company in Form MBP 1, at the time of appointment, annually and whenever there is any change in the disclosure so made, about all persons, entities firms in which he/ she is interested whether directly or indirectly.

4.2. On the basis of the disclosures received from the Directors and Key Managerial Personnel and the information available, the CEO , Company Secretary and the CFO shall jointly ensure that the contracts and arrangements w.r.t. the Related Party Transactions are pre-approved by the Audit Committee, the Board of Directors and the shareholders as applicable.

5. DISCLOSURES BY THE COMPANY

5.1. All Material Contract or Arrangements with Related Parties that are required to be disclosed to the Stock Exchanges or any other authority under the Listing Regulations or any other law for the time being in force, as amended, shall be so disclosed in accordance with such laws, rules and regulations.

5.2. This Policy shall be disclosed on the website of the Company and such web link shall also be provided in the Annual Report.

5.3. Adequate disclosure of all material transactions with Related Parties shall be disclosed quarterly along with the compliance report on corporate governance.

5.4. Particulars of contracts or arrangements with Related Parties shall also be disclosed in the Board's Report of the Company.

6. MANNER OF HANDLING RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

6.1. In the event any Director, KMP shall become aware of any transaction with Related Party in deviation of this Policy, such person shall promptly notify the Company Secretary or if any other officer or employee or the Company become aware of any transaction with Related Party in deviation of this Policy, such person shall promptly notify the respective Head of Department who in turn shall notify the Company Secretary of such transaction and the Company Secretary shall ensure that such transactions are brought to the notice of the Audit Committee or the Board of Directors as applicable, at the earliest possible time but not later than the first Audit Committee or the Board of Directors meeting held after the date of such intimation.

6.2. The Audit Committee and the Board of Directors as applicable shall consider all relevant facts and circumstances regarding such Related Party Transaction and shall evaluate all options available to the Company including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

6.3. In case where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the said transaction.

7. GENERAL

The Company Secretary or CFO or any person as may be authorised by the Board of directors from time to time is authorised to amend the Policy to give effect to any changes/amendments notified by Ministry of Corporate Affairs or SEBI w.r.t. Related Party

Transactions from time to time. Such amended policy shall be periodically placed before the Audit Committee for noting and ratification.

8. EXPLANATION

The words and expressions used in this Policy unless defined hereunder shall have the meaning assigned to them in the Securities and Exchange Board of India Act, 1992, the Securities Contracts (Regulation) Act, 1956, the Companies Act, 2013 or the rules framed thereunder or the SEBI (Issue of Capital and Disclosure Requirements) Regulations or the SEBI (Substantial acquisition of shares and takeovers) regulations including any statutory modification or reenactment thereof, as the case may be.

9. INTERPRETATION

In any circumstance where the terms of this Policy differ from any existing or enacted law, rule, regulation governing the Company, the law, rule or regulation will take precedence over the provision of this Policy.
