

F O C U S

LIGHTING & FIXTURES LTD.

RELATED PARTY TRANSACTIONS POLICY

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| Adopted on | 20 th March, 2017 |
| Effective from | 13 th April, 2017 |
| 1 st Amendment | 10 th February, 2022 |

POLICY ON RELATED PARTY TRANSACTION

1. PREAMBLE

Focus Lighting And Fixtures Limited (the "Company" or "FLFL") recognizes that related party transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company's and its stakeholders' best interests.

The Board of Directors (the "Board") of Focus Lighting And Fixtures Limited (the "Company" or "FLFL"), based on recommendations of the Audit Committee has adopted the following policy and procedures with regard to the Related Party Transactions as defined below. The Audit Committee shall review and may propose amendments to this policy as may be required.

The New Policy on Related Party Transaction (hereinafter referred to as "Policy") is being introduced to replace the earlier Policy on Related Party Transaction, to enhance the standards of governance and to take into account certain changes in the organization structure. Accordingly, the Board of Directors ("the Board") of the Company at its meeting held on February 10, 2022 accorded approval for amendment of "Policy on Related Party Transaction".

This revised Policy will be applicable to the Company with effect from 24th November, 2021 since on the said date the Company migrated from SME Platform of NSE to Main Board of NSE unless otherwise specified in the respective provision of the SEBI (LODR) (Sixth Amendment) Regulations vide Notification No. SEBI/LAD-NRO/GN/2021/55 dated November 09, 2021 and as may be notified from time to time.

This policy is to regulate transactions between the Company and its related parties based on the laws and regulations applicable on the company.

2. OBJECTIVE

- A. The primary objective of the Policy is to ensure highest standard of Corporate Governance, transparency, probity and ethical standards in all dealings of the Company with Related Parties such that its reputation is well protected and it continues to enjoy high levels of trust and confidence of investors, regulatory authorities and other stakeholders.
- B. To ensure compliance with legislative and regulatory provisions under the Companies Act, 2013 (hereinafter called "Act") and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter called "Regulations"), governing RPTs, if any, both in letter and spirit.

3. TERMS AND REFERENCES

- (i) **“Arm’s Length Transaction”** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no question of conflict of interest.
- (ii) **“Associate”** shall mean any entity which is an associate under section 2(6) of the Companies Act, 2013 or under the applicable Accounting Standard.
- (iii) **“Related Party”** as defined under Regulation 2(1)(zb) of Listing Regulations 2015 and as per SEBI (LODR) (Sixth Amendment) vide Notification No. SEBI/LAD-NRO/GN/2021/55 dated November 09, 2021 means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the listed entity;

OR

- (b) any person or any entity, holding equity shares:
 - i. of 20% or more; or
 - ii. of 10% or more, **with effect from April 1, 2023;**

in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.

Section 2(76) of the Companies Act, 2013, as referred above, defines Related Party as-

1. A director or his relative;
2. A Key Managerial Personnel or his relative;
3. A firm, in which a director, manager or his relative is a partner;
4. A private company in which a director or manager or his relative is a member or director;
5. 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;
6. 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;
[Except advice, directions or instructions given in a professional capacity]
7. Any person on whose advice, directions or instructions a director or manager is accustomed to act;
[Except advice, directions or instructions given in a professional capacity]
8. Any company which is a holding, subsidiary or an associate company of such company; or a subsidiary of a holding company to which it is also a subsidiary;
9. A director other than an Independent Director or Key Managerial Personnel of the holding Company or his relative with reference to a Company.

“Relative”: with reference to any person, means who is related to another, if-

- (i) They are members of a Hindu Undivided Family;
- (ii) They are Husband or wife or
- (iii) One person is related to the another in the following manner, namely-
 - a. Father, includes step-father.
 - b. Mother, includes step-mother.
 - c. Son, includes step-son.
 - d. Son’s wife.
 - e. Daughter.
 - f. Daughter’s husband.
 - g. Brother, includes step-brother.
 - h. Sister, includes step-sister.

(iv) **“Related Party Transactions”** as defined under Regulation 2(1)(zc) of Listing Regulations 2015 and as per SEBI (LODR) (Sixth Amendment) vide Notification No. SEBI/LAD-NRO/GN/2021/55 dated November 09, 2021 shall mean a transaction involving a transfer of resources, services or obligations between:

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) a listed entity 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 listed entity 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 transaction:

- (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 listed entity 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 Board:

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s).

(v) **“Material Related Party Transaction”** as defined under Regulation 23 of Listing Regulations 2015 and as per SEBI (LODR) (Sixth Amendment) vide Notification No. SEBI/LAD-NRO/GN/2021/55 dated November 09, 2021 shall mean a transaction with a related party shall be considered material, if the transaction(s) 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 consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.**

(vi) Transactions in **“Ordinary Course of Business”** shall mean and include-

- Transactions that are entered in the normal and usual course of business and are identical to the business of the company.
- Transactions that is reasonable in the context of the business of the company.
- Transactions that are part of the standard industry practice.

4. **IDENTIFICATION OF RELATED PARTY**

Each director and Key Managerial Personal is responsible for providing notice to the Board or Audit Committee regarding persons and entities to be considered as “Related Party” by virtue of his/her being Director/KMP in the entity or holding certain shareholding percentage. Such notice shall be provided to the company at the time of appointment and also at the time of first board meeting in every financial year and whenever there is any change in the disclosures already made.

5. **TERMS OF THE POLICY**

- The Company shall not enter into any contract or arrangement with a Related Party without the approval of the Audit Committee. Prior approval of the Audit Committee shall be obtained for all Related Party Transactions other than those with Exempted Wholly Owned Subsidiaries (whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval). The Audit Committee shall accordingly recommend the Related Party Transaction for the approval of Board of Directors/ Shareholders as per the terms of this policy.
- All the Related Party Transactions prescribed under Section 188 of Companies Act, 2013 and within the threshold limits prescribed under Rule 15 Sub-Rule (3) of Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014, and Regulation 23 of SEBI (LODR) Regulations, 2015 shall along with the Audit Committee Approval shall also require approval of the Board of Directors.
- All the Material Related Party Transactions and Related Party Transactions, exceeding the threshold limits prescribed under Rule 15 Sub Rule (3) of Companies (Meetings of Board and its Powers) Second Amendment Rules, 2015 and Regulation 23 of SEBI (LODR) Regulations, 2015 shall require prior approval of the Audit Committee, Board of Directors and Shareholders of the Company by way of Resolution.

- However, Related Party Transactions which are either not at arm's length or not undertaken in the ordinary course of business shall require the prior approval of the Audit Committee, Board of Directors and the Shareholders by way of resolution in order to allow the Company to enter into arrangements/transactions/contracts with related party of the Company as per the prescribed provisions of Companies Act, 2013 along with the rules made thereunder and the Listing Agreement.
- All domestic related party contracts / arrangements shall, wherever applicable, comply with Domestic Transfer Pricing Requirement under section 92BA of Income Tax Act, 1961 including certification from independent accountants under the Transfer Pricing Regulations.
- All international related party contract / arrangements shall comply with International Transfer Pricing Requirement under section 92B of Income Tax Act, 1961 including certification from independent accountants under the Transfer Pricing Regulations.

6. REVIEW AND APPROVAL OF AUDIT COMMITTEE

All related party transactions must be reported to the Audit Committee for its prior approval in accordance with this policy. The Committee shall review the transaction and report the same for approval of the Board and shareholders, if required, in accordance with this policy.

The Company shall provide such information, for review of the audit committee for approval of a proposed RPT as required by SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2021/662 dated 22nd November, 2021 and as amended from time to time.

Approval of Audit Committee:

- All related party transactions and subsequent material modifications shall require prior approval of the audit committee. Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions. Any member of the committee who has potential interest in any related party transaction will abstain from discussion and voting on the approval of the related party transaction.
- A related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the listed entity;
- **With effect from April 1, 2023**, a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;

- Prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.
- The Audit Committee may grant omnibus approval for the proposed Related Party Transaction subject to the following conditions:
 - a. The Audit Committee shall lay down the criteria for granting omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;
 - b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
 - c. Such omnibus approval shall specify the following:
 - The name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions in aggregate, which can be allowed under the omnibus approval in a year;
 - Maximum Value per transaction which can be allowed;
 - The indicative base price / current contracted price and the formula for variation in the price if any; and
 - Such other conditions as the audit committee may deem fit: Provided that 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 rupees one crore per transaction.
 - d. The audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.
 - e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
 - f. The Audit Committee reserves right to ratify related party transactions entered by the Company if any without prior approval within three months from the date of transaction which are at arm's length and not repetitive in nature.
- Transactions of the following nature are not to be subjected to the omnibus approval mechanism:
 - Transactions which are not in the ordinary course of business or not at arm's length.
 - Transactions which are not repetitive or unforeseen in nature.
 - Transactions exceeding the threshold limits specified for omnibus approval.
 - Purchase / sale of investments from / to related parties.
 - Transactions in respect of sale or disposal of the undertaking of the Company.
 - Any other transaction as may be specified by the Audit Committee.

7. APPROVAL OF BOARD OF DIRECTORS

- If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for the Board to approve a Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.
- All the related party transactions prescribed under Section 188 of the Act, which are not in the ordinary course of business or not at Arm's Length Basis and all material related party transactions shall be brought before the Board and the Board shall consider and approve the related party transaction at a meeting.
- Any member of the Board who is interested or has potential interest (as mentioned under section 184(2) of the Act), in any related party transaction shall not be present at the meeting during discussions on the subject matter of the resolution relating to such related party transaction.

8. APPROVAL OF SHAREHOLDERS

- All materials Related Party Transactions and subsequent material modifications as defined by the Audit Committee under sub regulation (2) shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity, is a related party to the particular transaction or not.
- Provided that prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.
- For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.
- The requirements specified under this sub-regulation 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;
- All existing material related party contracts or arrangements entered into prior to the date of notification of these 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.
- All the Transactions, other than the Material Related Party Transaction, with the related parties which are not in the Ordinary Course of Business and at Arms' Length shall, subject to the limits mentioned in Rules 15(3) of the Companies (Meeting of Board and its Power) Rules, 2014, also require the approval of the shareholders

through special resolution and the Related Parties shall abstain from voting on such resolution.

- Transactions that, require previous approval of Shareholders of the Company, as prescribed under rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, includes the transactions/ contracts/ arrangements as follows:
 - (1) Sale, purchase or supply of any goods or materials, directly or through appointment of agent, amounting to 10% or more of the turnover of the company, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188 of Companies Act, 2013;
 - (2) Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to 10% or more of net worth of the company, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188 of Companies Act, 2013;
 - (3) Leasing of property of any kind amounting to 10% or more of turnover of the company, as mentioned in clause (c) of sub-section (1) of section 188 of Companies Act, 2013;
 - (4) Availing or rendering of any services, directly or through appointment of agent, amounting to 10% or more of the turnover of the company, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188 of Companies Act, 2013.

These limits shall however, apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

- However, in case of wholly owned subsidiary, the resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and holding company.
- The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the information as a part of the explanatory statement as required by SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2021/662 dated 22nd November, 2021 and as amended from time to time.

9. **TRANSACTIONS NOT REQUIRING APPROVAL OF AUDIT COMMITTEE, BOARD OR SHAREHOLDERS**

- a. transactions entered into between two government companies;
- b. 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.

- c. 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 of the Company for approval.

10. DISCLOSURE

- The listed entity shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website.
- a 'high value debt listed entity' shall submit such disclosures along with its standalone financial results for the half year:
- The listed entity shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges.
- The listed entity shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.
- All Directors/KMPs are required to disclose the entities in which they or their relatives are or deemed to be interested, in the prescribed form.
- Each Director and KMP of the Company shall promptly notify the Chief Financial Officer or Company Secretary of the Company of any material transaction or Relationship that could reasonably be expected to give rise to any conflict of interest.
- The Company shall maintain Register pertaining to related party transactions in the prescribed form.
- The related party transaction entered into with the related party/ies shall be disclosed in the Director Report / Annual Report as per the disclosure requirement of the Act.
- The company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.
- Details of all material transactions with related parties shall be disclosed, quarterly in the Compliance Report on Corporate Governance., as required under listing agreement.

11. AMENDMENT

Any subsequent amendment / modification in the Listing Regulations or the Act or any other governing Act/Rules/Regulations or re-enactment, impacting the provisions of this Policy, shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be modified and/or amended to that extent, even if not incorporated in this Policy.

12. REVIEW

This Policy will be reviewed as and when required but at least once in three years.