Artificial Electronics Intelligent Material Limited

Related Party Transaction Policy

(Pursuant to Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 188 of the Companies Act, 2013)

1. Scope and Purpose of the Policy

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the Company and its stakeholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 ("Act") read with the Rules framed there under and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter called as 'the Listing Regulations'), Artificial Electronics Intelligent Material Limited ("the Company") has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, the Listing Regulations requires a Company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

Accordingly, the Company has formulated this Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions ("Policy") in compliance with Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Section 188 of the Companies Act, 2013 and other applicable statutory and regulatory provisions.

2. Objectives of the Policy

The objectives of this Policy are:

a) To establish a framework for identification, review, approval and disclosure of Related Party Transactions.

b) To ensure that Related Party Transactions are undertaken in accordance with applicable statutory and regulatory requirements.

c) To establish appropriate materiality thresholds for Related Party Transactions.

d) To ensure that Related Party Transactions are conducted on an arm's-length basis and in the ordinary course of business, wherever applicable.

e) To prevent conflicts of interest and protect the interests of the Company and its shareholders.

f) To prescribe the procedure for obtaining approvals from the Audit Committee and shareholders, wherever required.

g) To ensure timely disclosure of Related Party Transactions to the stock exchanges and on the Company's website at www.aeimindia.com.

3. Definitions

"Associate Company" means any other company, in which the Company has a significant influence

"Audit Committee or Committee" means Committee of Board of Directors of the Company constituted under the provisions of Regulation 18 of the Listing Regulations and Section 177 of the Companies Act, 2013.

"Board" in relation to a Company, means the collective body of Directors of the Company. (Section 2(10) of the Companies Act, 2013)

"Control" shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

"Key Managerial Personnel" means key managerial personnel shall include as defined under the Companies Act, 2013

1. the Chief Executive Officer or the managing director or the manager;
2. the Company Secretary;
3. the Whole-Time Director;
4. the Chief Financial Officer;

"Material Related Party Transaction" means 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 the following:

Annual consolidated turnover	**Material RPT threshold**
Up to ₹20,000 crore	10% of turnover
Above ₹20,000 crore up to ₹40,000 crore	₹2,000 crore + 5% of turnover exceeding ₹20,000 crore
Above ₹40,000 crore	₹3,000 crore + 2.5% of turnover exceeding ₹40,000 crore, capped at ₹5,000 crore

Explanation: For the purpose of computing the thresholds stated above, the annual consolidated turnover of the listed entity shall be determined based on the last audited financial statements of the listed entity.

Notwithstanding the above, 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 five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

"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.

"Policy" means Related Party Transaction Policy or any amendment thereto.

"**Listing Regulations**" means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015.

"Related" means an entity shall be considered as related to the Company if:

1. Such entity is a related party under Section 2(76) of the Companies Act, 2013; or
2. Such entity under Regulation 2(1)(zb) of the SEBI Listing Regulations.

"Related Party Transaction" means:

(i) a transaction between the Company and Related Party which is of the nature specified in clauses (a) to (g) of Section 188(1) of the Act; and

(ii) a transaction involving transfer of resources, services or obligations between the parties as specified in Regulation 2(1)(zc) of SEBI Listing Regulations.

However, the transactions specifically exempted under Regulation 2(1)(zc) of SEBI Listing Regulations or any other applicable laws shall not be considered as Related Party Transactions.

"Relative" means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if -

- They are members of a Hindu undivided family ;
- They are husband and wife ; or
- Father (including step-father)
- Mother (including step-mother)
- Son (including step-son)
- Son's wife
- Daughter
- Daughter's husband
- Brother (including step-brother)
- Sister (including step-sister)

"**Ordinary Course of Business**" means transaction will be considered in ordinary course if they are entered in the normal course of the business pursuant to the objects of the Company as per the Memorandum & Articles of Association of the Company.

4. Identification of Related Parties

A. In terms of the applicable provisions of the Act, all the Directors and KMPs are responsible for providing written notice to the Company informing their concern & interest in the other entities, from time to time.

B. On the basis of criteria prescribed under the applicable laws and as per the aforesaid declaration(s)/ disclosure(s)/ notice(s) received from the Directors and KMPs, the list of related parties of the Company and of its subsidiary companies are compiled and updated from time to time.

C. Notice of any potential Related Party Transaction is given well in advance to the Board/ Audit Committee. It contains adequate information about the Related Party transaction(s) and provides the Board/Audit Committee members sufficient time and information to consider and review the proposed transaction(s).

5. Procedures for review and approval of Related Party Transactions

5.1. Audit Committee

All related party transactions require the prior approval of the Audit Committee. The Audit Committee may grant omnibus approval for such transaction, subject to the following conditions:

a. The Audit Committee shall lay down the criteria for granting omnibus approval in accordance to this policy and the relevant provisions of law and such approval shall remain in force for the repetitive transactions;

b. The Audit Committee shall be satisfied for the need of granting the omnibus approval and that such approval is in the best interest of the company;

c. Such an approval shall specify - (i) the name(s) of the related party, nature of transaction, period of the transaction, maximum amount of transaction that can be entered into; (ii) the indicative base price/current contracted price along with the formula of variation in price, if any; (iii) any other conditions which the Audit Committee deems fit.

d. The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each omnibus approval given.

e. The omnibus approval shall be valid for a period of 1 (one) year.

While assessing a proposal put up before the Audit Committee/Board for approval, the Audit Committee/Board, as the case maybe, may review the following documents/seek inter-alia the following information from the management to in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

a. Nature of transaction i.e. details of goods or property to be acquired/ transferred or services to be rendered/ availed - including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transactions;

b. Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction including value and quantum;

c. Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;

d. Special terms covered/ to be covered in separate letters or undertakings or any other special or sub arrangement forming a part of a composite transaction;

e. Benchmarking information that may have a bearing on the arm's length basis analysis: (i) market analysis, research report, industry trends, business strategies, financial forecasts etc.; (ii) third party comparables, valuation reports, price publications including stock exchange quotations; (iii) management assessment of pricing terms and business justification for the proposed transaction; (iv) comparative analysis, if any, of other such transaction entered into by the Company.

f. Only those members of Audit Committee who are Independent Directors, will approve Related Party Transactions. Any member of Audit Committee having a potential interest in the proposed RPT, will recuse himself and abstain from discussion and voting on the proposal for approval of the said transaction.

5.2. Board of Directors

As per the provisions of Section 188 of the Act, all kinds of related party transaction specified under the said Section and which are not in the ordinary course of business or not at arm's length

basis, are to be placed before the Board. In addition to the above, the following kinds of transactions with related party are also to be placed before the Board for its approval:

a. Transactions which may be in ordinary course of business and at arm's length basis, but which are, as per the policy of the Board as determined from time to time require the approval of the Board in addition to the approval of the Audit Committee;

b. Transactions which the Audit Committee are unable to determine are in the ordinary course of business and/or at arm's length and decides to refer the same to the Board for its approval;

c. Transactions which are in the ordinary course of business and at are arm's length, but which in the opinion of the Audit Committee, requires the approval of the Board; and

d. Material Related Party Transactions are intended to be placed before the shareholders for approval.

e. Any Director having a potential interest in the proposed RPT will recuse himself and abstain from discussion and voting on the proposal for approval of the said transaction.

5.3. Approval of the Shareholders of the Company

A. Following Related Party Transactions shall require prior approval of the Shareholders of the Company:

(i) Material Related Party Transactions and Material Modifications thereto.

(ii) Transactions specified in Section 188(1) of the Act which: - are not in the ordinary course of business and/or not on arm's length terms; and - exceed the threshold specified in Rule 15(3) of Companies (Meetings of Board and its Powers) Rules, 2014, including any statutory modification or reenactment thereof.

B. No member of the Company shall vote on the resolution to approve any transaction covered under Clause 5.3 (A) (ii) above, if such member is a related party to the proposed contract or arrangement.

C. No Related Party shall vote to approve any transaction covered under Clause 5.3 (A) (i) above, whether the entity is a related party in the context of particular transaction or not.

6. Standards for Review and Approval of Related Party Transaction

A Related Party Transaction reviewed under this Policy will be considered approved or ratified if it is authorized by the Audit Committee Board or the Shareholders, as the case may be, in accordance with the standards set forth in this Policy after full disclosure of the Related Party's interests in the transaction. As appropriate for the circumstances, the Audit Committee or Board, as applicable, shall review and consider:

(a) the Related Party's interest in the Related Party Transaction;

(b) the approximate amount involved in the Related Party Transaction;

(c) the approximate amount of the Related Party's interest in the transaction without regard to the amount of any profit or loss;

(d) Whether the Related Party Transaction was undertaken in the ordinary course of business of the Company;

(e) Whether the transaction with the Related Party is proposed to be, or was, entered on an Arms' Length Basis;

(f) the purpose of, and the potential benefits to the Company from the Related Party Transaction;

(g) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transaction, if any;

(h) Whether the Related Party Transaction includes any potential reputational risk issues that may arise as a result of or in connection with the Related Party Transaction.

(i) Whether the Related Party Transaction would impair the independence of an otherwise independent director or nominee director;

(j) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company;

(k) Whether the Related Party Transaction would present an improper conflict of interest, as per provisions of law, for any director or Key Managerial Personnel, taking into account the size of the transaction, the overall financial position of the Related Party, the director or indirect nature of the Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee/Board deems relevant.

(l) Required public disclosure, if any; and

(m) Any other information regarding the Related Party Transaction or the Related Party in the context of the proposed transaction that would be material to the Audit Committee/ Board/ shareholders, as applicable in light of the circumstances of the particular transaction.

The Audit Committee/Board will review all relevant information available to it about the Related Party Transaction. The Audit Committee/Board, as applicable, may approve/ratify/ recommend to the shareholders, the Related Party Transaction only if the Audit Committee/ Board, as applicable, determines in good faith that, under all of the circumstances, the transaction is fair as to the Company. The Audit Committee/ Board, in its sole discretion, may impose such conditions as it deems appropriate on the Company or the Related Party in connection with approval of the Related Party Transaction.

7. Determination of Ordinary Course of Business

"In the Ordinary Course of Business" means all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, in the normal routine in managing trade or business and is not a standalone transaction. The Company should take into account the frequency of the activity and its continuity carried out in a normal organized manner for determination what is in the ordinary course business.

8. Determination of Arms' length nature of the Related Party Transaction

A. Price Determination:

At the time of determination the arms' length nature of price charged for the Related Party Transaction, the Audit Committee shall take into consideration the following:

(i) Permissible methods of arms' length pricing as per Applicable Law including such prices where the benefits of safe harbour is available under Applicable Law.

(ii) For the said purposes the Audit Committee shall be entitled to rely on professional opinion in this regard.

B. Underwriting and Screening of arms' length Related Party Transaction

(i) A Related Party with whom the Related Party Transaction is undertaken must have been selected using the same screening /selection criteria/ underwriting standards and procedures as may be applicable in case of an unaffiliated party.

(ii) The Chief Financial Officer shall produce evidence to the satisfaction of the Audit Committee for having applied the said procedure.

9. Identification of Potential Related Party Transactions

(a) Each director and Key Managerial Personnel is responsible for providing written notice to the Audit Committee of any potential Related Party Transaction involving him or her or his or her relatives, including any additional information about the transaction that the Audit Committee may reasonably request. The Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

(b) Every director/ Key Managerial Personnel of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such meeting.

(c) Where any director/ Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of Board held after he becomes so concerned or interested.

(d) A contract or arrangement entered into by the company without disclosure or with participation by a Director / Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Company.

(e) The Company strongly 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 and other matter incidental thereto and to refer it to the appropriate approval authority. Ratification of a Related

Party Transaction after its commencement or even its completion may be appropriate in some circumstances.

10. General Principles

(a) It shall be the responsibility of the Board to monitor and manage potential conflicts of interest of management, board members and shareholders, including abuse in Related Party Transactions.

(b) The Independent Directors of the Company shall pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the Company.

(c) The Audit Committee shall have the following powers with respect to Related Party Transactions: (i) to seek information from any employee; (ii) to obtain outside legal or other professional advice; (iii) to secure attendance of outsiders with relevant expertise, if it considers necessary; (iv) to investigate any Related Party Transaction.

11. Disclosures

(a) Appropriate disclosures as specified under the Act and the SEBI Listing Regulations, shall be made by the Company in the Annual Report and to the Stock Exchanges.

(b) Details of all Material Related Party Transactions shall be disclosed quarterly along with Company's Compliance Report on Corporate Governance, in accordance with the Listing Agreement.

(c) The Company is also required to disclose this Policy on its website at www.aeimindia.com and also in the Annual Report of the Company.

(d) This Policy shall be hosted on the Company's website viz. www.aeimindia.com and web-link of the same shall be provided in the Annual Report.

12. Amendment in Law

Any subsequent amendment/modification in the Listing Agreement and/or the applicable laws in this regard shall automatically apply to this Policy.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

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