
POLICY ON RELATED PARTY TRANSACTIONS

GEM ENVIRO MANAGEMENT LIMITED



Approved on December 06, 2023

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POLICY ON RELATED PARTY TRANSACTIONS OF GEM ENVIRO MANAGEMENT LIMITED

1. INTRODUCTION

- 1.1 The Board of Directors (“the Board”) of GEM Enviro Management Limited (“GEM” or “the Company”) has adopted the Policy on materiality of Related Party Transactions and on dealing with Related Party Transactions known as “Policy on Related Party Transactions”.
- 1.2 This Policy is in compliance with the requirements of Sections 177 and 188 of the Companies Act, 2013 (“the Act”) and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 (“SEBI Listing Regulations”), as amended from time to time, SEBI Circular on the Industry Standards on “Minimum Information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions” (“RPT Industry Standards”) and other circulars issued by SEBI, from time to time, and other applicable provisions, if any.

2. OBJECTIVE

The objective of this Policy is to establish a framework for the approval and reporting of Related Party Transactions between the Company (including its subsidiary(ies)) and its related party(ies), in order to ensure transparency, compliance with applicable laws and regulations, and the protection of the Company’s interests.

3. DEFINITIONS

- 3.1 Unless repugnant to the meaning or context thereof, the following expressions, wherever used in this policy, shall have the meaning assigned to them below:
- (I) “**Arm’s Length Transaction**” means a transaction between 2 (two) related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
 - (II) “**Audit Committee**” means an Audit Committee of the Company constituted by the Board of Directors in accordance with the provisions of the Act and SEBI Listing Regulations.
 - (III) “**Board of Directors**” or “**Board**” means the Board of Directors of the Company.
 - (IV) “**Material Modification(s)**” shall mean and include such modification which:
 - a. has the effect of varying the monetary value of exceeding twenty percent of the maximum amount of transaction, approved by Audit Committee or Shareholders, as the case may be, or
 - b. has the effect of making the transaction not in the Ordinary course of business and/or Arm’s length basis, if the said transactions were approved as such.



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- (V) **“Material Related Party Transaction”** shall mean a transaction with a Related Party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rupees fifty crores or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower, or as revised under SEBI Listing Regulations, from time to time.

In case of 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, exceeds five 5% percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or as revised under SEBI Listing Regulations, from time to time.

- (VI) **“Ordinary Course of Business”** means 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 its Memorandum of Association and Articles of Association.

- (VII) **“Policy”** means this Related Party Transaction Policy.

- (VIII) **“Relative”** shall have the same meaning as defined in section 2(77) of the Act and rules prescribed thereunder.

- (IX) **“Related Party”** means a related party as defined under section 2(76) of the Act or under the applicable accounting standards:

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

shall be deemed to be a related party.

- (X) **“Related Party Transaction”** means a transaction involving a transfer of resources, services, or obligations between:

- i. the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- ii. the Company 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 Company 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.



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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 which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - payment of dividend;
 - subdivision or consolidation of securities;
 - issuance of securities by way of a rights issue or a bonus issue; and
 - 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.
- d. acceptance of current account deposits and saving 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.

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

- e. retail purchases from the Company or its subsidiary by the directors or Key Managerial Personnel of the Company or its subsidiary, and relatives of such directors or Key Managerial Personnel, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees, directors, key managerial personnel and relatives of directors or key managerial personnel.

3.2 Any other term not defined herein shall have the same meaning as defined in the Act, SEBI Listing Regulations or any other applicable laws or regulations, as amended from time to time.

4. PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS

4.1 APPROVAL OF AUDIT COMMITTEE

- i) All related party transactions and subsequent material modifications shall require prior approval of the audit committee of the Company.

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



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- ii) A related party transaction above rupees one crore, whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary 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, exceeds the lower of the following:
 - a. ten percent of the annual standalone turnover of the subsidiary as per the last audited financial statements of the subsidiary; or
 - b. the threshold for material related party transactions of the Company as specified in Schedule XII of SEBI Listing Regulations or as specified under SEBI Listing Regulations, from time to time.
- iii) In the event of a related party transaction above rupees one crore, whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary of the Company is a party but the Company is not a party and such subsidiary does not have audited financial statements for a period of at least one year, prior approval of the audit committee of the Company shall be obtained if the value of such transaction exceeds the lower of the following:
 - a. ten percent of the aggregate value of paid-up share capital and securities premium account of the subsidiary; or
 - b. the threshold for material related party transactions of the Company as specified in Schedule XII of SEBI Listing Regulations or as specified under SEBI Listing Regulations, from time to time.

Provided that the aggregate value of paid-up share capital and securities premium account of the subsidiary shall be taken as on a date, not older than three months prior to the date of seeking approval of the audit committee.

- iv) 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 sub-regulation (2) of regulation 15 of SEBI Listing Regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the audit committee of the listed subsidiary shall suffice.

- v) Remuneration and sitting fees paid by the Company or its Subsidiary to its director, 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 related party transaction.
- vi) The Company shall include all the information as specified under the Act, SEBI Listing Regulations and RPT Industry Standards, for review of the Audit committees, for approval of any proposed Related Party Transaction.



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RATIFICATION OF RELATED PARTY TRANSACTIONS

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 SEBI Listing Regulations;
- 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 half-yearly Related Party Transactions;
- e. any other condition as may be specified by the Audit Committee or as may be prescribed under the SEBI Listing Regulations or any other law or regulation, as may be applicable, from time to time.

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 authorised by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it.

OMNIBUS APPROVAL

The Audit Committee may, in the interest of the conduct of affairs of the Company, grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiary, subject to the following conditions:

- i. such approval shall be applicable in respect of transactions which are repetitive in nature;
- ii. the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;
- iii. the omnibus approval shall specify:
 - i. the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into;
 - ii. the indicative base price / current contracted price and the formula for variation in the price if any; and
 - iii. 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.



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- iv. Additionally provide information for all such omnibus transactions as specified in RPT Industry Standards and other circulars issued by SEBI from time to time.
- v. the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company or its subsidiary pursuant to each of the omnibus approvals given.
- vi. such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Criteria for making Omnibus Approval:

While granting omnibus approval, the Audit Committee shall consider the following:

- Maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
- Maximum value per transaction which can be allowed;
- Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
- Review, at such intervals as the Audit Committee may deem fit, related party transactions entered into by the Company pursuant to each of the omnibus approval made;
- Transactions which cannot be subject to the omnibus approval by the Audit Committee.

Transactions that cannot be approved through omnibus route:

- i. Transactions in respect of selling or disposing of the undertaking of the Company.
- ii. Any transaction which is non-repetitive in nature
- iii. Any other transaction as may be specified by the Audit Committee.

4.2 APPROVAL OF BOARD OF DIRECTORS

Approval of the Board shall be required for entering into the Related Party Transactions which are not in the ordinary course of business or not an Arm's Length Transaction.

4.3 APPROVAL OF SHAREHOLDERS OF COMPANY

- i. All material related party transactions and subsequent material modifications 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 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 Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.



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Explanation: 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.

Provided further that the omnibus approval granted by the shareholders for material related party transactions in an annual general meeting shall be valid till the date of the next annual general meeting held within the timelines prescribed under Section 96 of the Act or rules, notifications, or circulars issued thereunder from time to time.

Provided further that in case of omnibus approvals for material related party transactions, granted by shareholders in general meetings other than annual general meeting, the validity of such omnibus approvals shall not exceed one year from the date of such approval.

- ii. All transactions with a related party which are:
 - a. not in the ordinary course of business or not at arm's length; and
 - b. which are in excess of the limits prescribed under the Act

shall require approval of the shareholders by way of a resolution passed at the general meeting of the Company.

Provided further that no member of the company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party.

- iii. The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Act and SEBI Listing Regulations, include the information as specified in the RPT Industry Standards as a part of the explanatory statement.

4.4 EXCEPTIONS TO AUDIT COMMITTEE AND SHAREHOLDERS APPROVAL UNDER 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.



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- 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.

5. REPORTING AND DISCLOSURES

- i. The Company shall submit to the stock exchanges, the disclosures of related party transactions every six months on the date of publication of its standalone and consolidated financial results in the format specified by SEBI from time to time, and publish the same on its website.

Provided that the remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require the afore-said disclosure provided that the same is not material in terms of the provisions of SEBI Listing Regulations.

- ii. All material related party transactions or transactions which is not on Arm's Length basis or such other details as may be required under the Act or SEBI Listing Regulations shall be disclosed in the Board's report with proper justification for entering into such transactions.
- iii. The Company shall disclose its policy on dealing with Related Party Transactions on its website and a web link of the same in the Annual Report of the Company.

6. REVIEW AND AMENDMENT

The Board shall review this Policy every three years, or such period as may be stated in law from time to time, and make suitable modifications, as may be necessary.

In the event of any conflict between the provisions of this Policy and of the SEBI Listing Regulations / the Act or any other statutory enactments, rules, the provisions of such SEBI Listing Regulations / the Act or statutory enactments or rules shall prevail over this Policy.

Notwithstanding anything contained herein, any amendment to this Policy required pursuant to any statutory or regulatory change, including amendments to the Act or the SEBI Listing Regulations, shall take effect automatically without the need for separate Board approval.