

PNB Finance & Industries Limited

POLICY ON RELATED PARTY TRANSACTIONS

1) INTRODUCTION

PNB Finance & Industries Limited recognises that certain relationships can present potential or actual conflicts of interest and may raise questions about whether transactions associated with such relationships are consistent with Company's and its stakeholders' best interests.

The Company must specifically ensure that certain Related Party Transactions (as defined below) are managed and disclosed in accordance with the strict legal and accounting requirements to which the Company is subject.

Therefore, this Policy regarding the review and approval of Related Party Transactions has been adopted by the Company's Board of Directors in order to set forth the procedures under which certain transactions must be reviewed and approved or ratified.

The equity listing agreement with stock exchanges mandates formulation of a policy on transactions with Related Party and dealing with Related Party Transactions. As part of its corporate governance practices, the Board of Directors (the "Board") of PNB Finance & Industries Limited has adopted the following policy and procedure with regard to Related Party Transactions.

2) PURPOSE

This Policy is framed based on requirements of listing agreement entered by the Company with the stock exchanges to comply with the provisions of Section 188 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements), 2015 ("LODR") as modified and amended from time to time and is intended to ensure the governance and reporting of transactions between the Company and its Related Parties.

3) DEFINITIONS

"Act" shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or e-enactment thereof.

"Arm's length transaction ('ALP')" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

"Audit Committee" means the Committee of the Board constituted from time to time under the provisions of Regulation 18 of the LODR and Section 177 of the Companies Act, 2013.

"Board" means the Board of Directors as defined under the Companies Act, 2013.

"Key Managerial Personnel" means "Managing Director", "Whole time Director", "Manager",

"Chief Executive Officer", "Chief Financial Officer", "Company Secretary", and shall have the

same meaning as assigned under Section 203 of the Companies Act, 2013 read with Section 2(51), 2(54), 2(94), 2(53), 2(18), 2(19) and 2(24) of the Act.

“Related Party”, with reference to a Company, shall have the same meaning as defined in Section 2(76) of the Companies Act, 2013 and Regulation 23 of LODR.

“Related Party Transaction” (RPT) means –

- for the purpose of the Act, specified transaction mentioned in clause (a) to (g) of sub-section 1 of Section 188;
- for the purpose of Regulation 23 of LODR, any transaction involving any Related Party which is a transfer of resources, services or obligations between :
 - a. 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
 - b. 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.

Further exemption from related party transaction would be as per defined under 2(1)(zc) of LODR **“Relative”**, with reference to any person, shall have the same meaning as defined in Section 2(77) of the Companies Act, 2013 and rules made there under.

4) MATERIALITY THRESHOLDS

Regulation 23 of LODR requires a company to provide materiality thresholds for transactions beyond which the shareholders’ approval will be required by way of a special resolution. The Company will consider threshold for material transaction if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees 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.

5) MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

a) Identification of related parties

The Company shall identify Related Parties as per the definition provided in the applicable laws and regulations, including the Act and the, as amended from time to time.

Based on the disclosures made by Directors and KMPs from time to time, the Company shall regularly verify and update the Related Party list.

b) Identification of related party transactions

Every Director and Key Managerial Personnel will be responsible for providing prior Notice to the Company Secretary of any potential Related Party Transaction. They will also be

responsible for providing additional information about the Transaction that the Board /Committee may request, for being placed before the Audit Committee and the Board.

The Company Secretary in consultation with the Chief Financial Officer may refer any potential related party transaction to any external legal / transfer pricing expert and the outcome or opinion of such exercise shall be brought to the notice of the Audit Committee. Based on this notice, the Company Secretary will obtain necessary approvals as per this Policy.

c) Procedure for approval of related party transactions

- ***Approval of the Audit Committee***

All Related Party Transactions and subsequent *material modifications* shall be subject to the prior approval of the Audit Committee whether at a meeting or by way of a resolution by circulation or through electronic mode. A member of the Audit Committee who (if) has a potential interest in any Related Party Transaction will not be present at the meeting or abstain from discussion and voting on such Related Party Transaction and shall not be counted in determining the presence of a quorum when such Transaction is considered.

Material modifications means any subsequent change to an existing RPT, having variance of 20% of the existing limit or Rs.10 crores whichever is lower.

- members of the Audit Committee who are independent directors, shall approve related party transactions.
- a related party transaction 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 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 Company.

with effect from April 1, 2023, a related party transaction 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 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.

However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

- i) The Audit Committee shall lay down the criteria / Framework and Guidelines for granting the omnibus approval in line with the Policy and such approval shall be applicable in respect of repetitive transactions;
- ii) The Audit Committee shall satisfy itself of the need for such omnibus approval and that such approval is in the interest of the Company;
- iii) The omnibus approval shall provide details of

(i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and formula for variation in the price, if any (for ex: +/- 5% and (iii) such other conditions as the Audit Committee may deem fit.

However, in case of Related Party Transactions which cannot be foreseen and where the above details are not made available to the Audit Committee in advance, management is permitted by the Audit Committee to enter into transactions provided the value of the group of identical transactions does not exceed Rs.1,00,00,000 (Rupees One crore Only) per transaction;

iv) The Audit Committee shall review at least, once every quarter, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approvals given;

v) Such omnibus approval shall be valid for 1 year from the date of grant of such approval and shall require fresh approvals after the expiry of one year

The shareholders' approval of omnibus RPTs approved in an AGM shall be valid upto the date of the next AGM for a period not exceeding 15 months.

In case of omnibus approvals for material RPTs, obtained from shareholders in general meetings other than AGMs, the validity of such omnibus approvals shall not exceed one year.

- ***Approval of the Board of Directors of the Company***

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business and at arm's length basis, are placed before the Board for its approval.

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

- Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
- Transactions meeting the materiality thresholds laid down Clause 5 of the Policy, which are intended to be placed before the shareholders for approval.

- ***Approval of the Shareholders of the Company***

All the transactions with related parties meeting the materiality thresholds and subsequent material modifications, laid down in Clause 4 of the Policy, shall require prior shareholder's approval .

For this purpose, 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.

Regulation 23(5) of LODR) provides that the requirement for seeking shareholders' approval shall not be applicable to transactions between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with the Company.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business and at arm's length basis; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 will be placed before the shareholders for its approval.

6) DISCLOSURES

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.

7) RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

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, the matter shall be reviewed by the Audit Committee. 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. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

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, discontinuation 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) DISSEMINATION OF POLICY

This Policy shall be disseminated to all functional and operational employees and other concerned persons of the Company and shall be hosted on the website of the Company and web link thereto shall be provided in the annual report of the Company.

9) REVIEW OF POLICY

The policy will be reviewed by the Board of the Directors of the Company once in three years.