PINC

# PIONEER INVESTCORP LIMITED

# RELATED PARTY TRANSACTIONS POLICY

The Board of Directors of Pioneer Investcorp Limited ("the Company") at their Meeting held on August 28, 2014 with immediate effect, adopted the following Related Party Transaction Policy as per applicable relevant Statutory provisions of the Companies Act, 2013 and also in compliance with Clause 49 of the Listing Agreement entered into by the Company with BSE Limited.

# RELATED PARTY TRANSACTIONS POLICY

## I. INTRODUCTION

Pioneer Investcorp Limited (the "Company" or "PIL") recognizes that Related Party Transactions (as defined below) can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company's and its stockholders' best interests. 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.

## II. DEFINITIONS

For the purposes of this policy, the following definitions apply:

### *1. Definitions under Companies Act, 2013*

***Related Party***

As per the Provisions of Section 2(76) of the Companies Act, 2013 "Related Party" means -

(*i*) a director or his relative;

(*ii*) a key managerial personnel or his relative;

(*iii*) a firm, in which a director, manager or his relative is a partner;

(*iv*) a private company in which a director or manager is a member or director;

(*v*) a public company in which a director or manager is a director or holds along with his relatives, more than two per cent of its paid-up share capital;

(*vi*) anybody 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;

(*vii*) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (*vi*) and (*vii*) shall apply to the advice, directions or instructions given in a professional capacity;

(*viii*) any company which is—

(*A*) a holding, subsidiary or an associate company of such company; or

(*B*) a subsidiary of a holding company to which it is also a subsidiary;

(*ix*) such other person as may be prescribed. (For the purposes of this sub-clause (ix) of clause (76) of section 2 of the Act, a director or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party)

***Relative***

- ***Companies Act, 2013***

  As per the Provisions of Section 2(77) of the Companies Act, 2013 "Relative" means—

  (i) they are members of a Hindu Undivided Family;

  (ii) they are husband and wife; or

  (iii) one person is related to the other in such manner as may be prescribed;

- ***Companies (Specification of definitions details) Rules, 2014***

  As per Rule 4 of Companies (Specification of definitions details) Rules, 2014 a person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-

  a) Father
  b) Step-father
  c) Mother
  d) Step-mother
  e) Son
  f) Step-son
  g) Son's wife
  h) Daughter
  i) Daughter's husband
  j) Brother

k) Step-brother
l) Sister
m) Step-sister.

***Holding Company***

As per the Provisions of Section 2(46) of the Companies Act, 2013 "Holding Company"**,** means a company of which such companies are subsidiary companies.

***Subsidiary Company***

As per the Provisions of Section 2(87) of the Companies Act, 2013 **"subsidiary company"** or **"subsidiary"**, in relation to any other company (that is to say the holding company), means a company in which the holding company—

(i) controls the composition of the Board of Directors; or

(ii) exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation.—For the purposes of this clause,—

(a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;

(b) the composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;

(c) the expression "company" includes any body corporate;

(d) "layer" in relation to a holding company means its subsidiary or subsidiaries;

***Associate Company***

As per the Provisions of Section 2(6) of the Companies Act, 2013 "associate company", in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company. For the purpose of this clause Significant influence means control of at least twenty per cent of total share capital, or of business decisions under an agreement.

## 2. *Definitions under Listing Agreement*

### *Related Party Transactions*

As per Clause - 49 of the Listing Agreement, Related Party Transaction means a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

### *Related Party*

As per Clause - 49 of the Listing Agreement, Related Party means a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

(1) **A person or a close member of that person's family is related to a company if that person**

a) is a related party under Section 2(76) of the Companies Act, 2013;or

b) has control or joint control or significant influence over the company; or

c) is a key management personnel of the company or of a parent of the company.

**(2) An entity is related to a company if any of the following conditions applies**

a) The entity is a related party under Section 2(76) of the Companies Act, 2013; or

b) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or

c) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or

d) Both entities are joint ventures of the same third party; or

e) One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or

f) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company; or

g) The entity is controlled or jointly controlled by a person identified in (1).

h) A person identified in (1)(b) has significant influence over the entity (or of a parent of the entity).

***Material Related Party Transactions as defined under the Listing Agreement***

A transaction with a related party shall be considered material if the transaction / transactions 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. ( as amended from time to time)

***3. Transactions covered under Related Party Transactions***

Following transactions entered with a Related Party are considered as Related Party Transactions:

- sale, purchase or supply of any goods or materials;
- selling or otherwise disposing of, or buying, property of any kind;
- leasing of property of any kind;
- availing or rendering of any services;
- appointment of any agent for purchase or sale of goods, materials, services or property;
- such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- underwriting the subscription of any securities or derivatives thereof, of the company.

## III. PROCEDURES

### 1. Disclosure by Directors and Key Managerial Personnel (KMP)

Every director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding.

Every director or key managerial personnel shall, within a period of thirty days of his appointment, or relinquishment of his office, as the case may be, disclose to the company the particulars relating to his concern or interest in the other associations.

Provided that where any director 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 the Board held after he becomes so concerned or interested.

### 2. Approval of Audit Committee and Board of Directors

All Related Party Transactions shall be approved by the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

a. The Audit Committee shall lay down the criteria for granting the 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 (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 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 Rs.1 crore per transaction.

d. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval 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

**Exemption:** 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.

**3. Information to be placed before the Audit Committee and Board of Directors for approval of Related Party Transactions**

- the name of the related party and nature of relationship;
- the nature, duration of the contract and particulars of the contract or arrangement;
- the material terms of the contract or arrangement including the value, if any;
- any advance paid or received for the contract or arrangement, if any;
- the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- any other information relevant or important for the Board to take a decision on the proposed transaction.

**4. Interested Directors and Key Managerial Personnel not to participate**

Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement

**5. Factors to be considered by Audit Committee and Board of Directors while approving Related Party Transactions**

- Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- 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;

- The commercial reasonableness of the terms of the Related Party Transaction;

  The materiality of the Related Party Transaction;

- Whether the terms of the Related Party Transaction are fair and on the same basis as would apply if the transaction did not involve a Related Party;

- The extent of the Related Party's interest in the Related Party Transaction;

- The actual or apparent conflict of interest of the Related Party participating in the Related Party Transaction;

- Whether the Related Party Transaction would affect the independence of an independent director;

- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;

- 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 is allowed and would be detrimental to the Company; and

- Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel 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, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

## 6. Approval of Shareholders

Prior approval of Shareholders through special resolution is required if the value of the transactions taken together with previous transactions during the financial year exceeds the following :

- If the value of transaction / transactions 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.

- appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees.

- is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding 1% of the net worth of the company.

**Exemption:** 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.

## 7. Interested Shareholder not to participate

No member of the company shall vote on special resolution for approval of Related Party Transactions if such member is a related party.

In case of wholly owned subsidiary, the special resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and holding company.

## IV. RELATED PARTY TRANSACTIONS NOT REQUIRING APPROVAL

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee, Board of Directors or Shareholders:

i. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.

ii. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

iii. Transactions available to all employees generally.

## V. DISCLOSURE

Every Related Party Transactions or contract or arrangement entered shall be disclosed in the following manner:

i. In the Board's report to the shareholders along with the justification for entering into such contract or arrangement;

ii. Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance; and

iii. The company shall disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report.

for **Pioneer Investcorp Limited**

Place : Mumbai
Date:

**Director**
**Din:**