

PACT INDUSTRIES LTD

POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS

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PREAMBLE

The Board of Directors ("the Board") of the Company understands the importance of stakeholders' confidence and trust in the Company. Considering the requirements of Companies Act 2013 read with Rules drafted thereunder and SEBI (LODR) Regulations, 2015 there is a need for proper identification, conduct and documentation of the Related Party Transactions (RPT).

In order to ensure transparency in Related Party Transactions and avoidance of conflict of interest with the stakeholders, the Board of Directors, acting upon recommendation of Audit Committee of the Company ("the Committee"), has adopted the following policy and procedure with respect to Related Party Transactions of the Company.

APPLICABILITY

This Policy applies to all Related Party Transactions entered into by the Company and shall be applicable from 1st April, 2015.

OBJECTIVES OF THE POLICY

The Companies Act 2013 and SEBI (LODR) Regulations, 2015, pose many requirements on the Company. One such requirement is that the Company is required to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

The objectives of this Policy is to set out:

- (a) Identification of the Related Parties
- (b) The materiality threshold for related party transactions
- (c) The manner of dealing with the transaction between the Company and its related parties based on the Act, SEBI (LODR) Regulations, 2015 and any other laws and regulations as may be applicable to the Company.

All Related Party Transactions should be referred to the Audit Committee of the Company for prior approval. The Audit Committee shall also approve any subsequent modifications of RPT. The Audit Committee may also grant omnibus approval for certain category of transactions, which shall be valid for period not exceeding one year, and shall require fresh approval thereafter. The onus will be on corporate accounts department of the Company to refer RPT or potential RPT to the Audit Committee.

The Related Party Transactions as detailed in Section 188 of the Companies Act 2013 shall further require Board/Shareholder approval, as applicable.

DEFINITIONS

"Act" means the Companies Act, 2013, Rules framed thereunder and any amendments thereto;

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

"Audit Committee" shall mean a committee of Board of Directors of the Company constituted by the Board of Directors of the Company in accordance with Section 177 of the Act and SEBI (LODR) Regulations, 2015.

"Company" the words "This Company", "The Company", "Company" wherever occur in the policy shall mean **"Pact Industries Limited"**.

"Compliance Officer" means "Company Secretary" and/or any other person appointed by the Board of the Company.

"Key Managerial Personnel" (KMP) means

- (a) the Chief Executive Officer or the Managing Director or the Manager and in their absence the Whole Time Director;
- (b) the Company Secretary;
- (c) the Chief Financial Officer; and
- (d) any other person appointed as the KMP by the Board of Directors of the Company;

"Material Related Party Transaction", means a transaction/contracts with a related party where the transaction(s) to be entered into individually or taken together with previous transactions with a related party during a financial year, exceeds the threshold prescribed under SEBI (LODR) Regulations, 2015.

"Materiality Threshold" means limits for related party transactions beyond which the shareholders' approval will be required as specified in Companies Act, 2013 and rules thereof and amendments thereto.

"Policy" means this policy, as amended from time to time.

"Related Party" will have the same meaning as defined under Section 2(76) of the Act and/or the SEBI (LODR) Regulations, 2015 and any amendments thereto, if any.

“Relative” in relation to a related party shall have the same meaning assigned to in Section 2(77) of the Act and any amendments thereto.

"Related Party Transaction" means all transaction(s) between the Company on one hand and one or more related party(ies) on the other hand including contracts, arrangements and transactions as envisaged in Section 188(1) of the Act and/or SEBI (LODR) Regulations, 2015.

INTERPRETATION

Terms that have not been defined in this Policy shall have the same meaning assigned to them in the Companies Act, 2013, SEBI (LODR) Regulations, 2015 and/or any other SEBI Regulation(s) as amended from time to time.

In case of any dispute or difference upon the meaning/interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final.

GUIDELINES

Procedure for approval of related party transactions

Approval of the Audit Committee

The related party transaction(s), whether fresh or modification in the existing transactions thereof, shall require prior approval of the Audit Committee of the Company as required under Companies Act, 2013/ SEBI (LODR) Regulations, 2015 as amended from time to time.

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

- Nature of the 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 transaction;
- Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
- Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- Benchmarking information that may have a bearing on the arm's length basis analysis, such as:

- market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
- third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
- management assessment of pricing terms and business justification for the proposed transaction;
- comparative analysis, if any, of other such transaction entered into by the company.
- Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

However, the Audit Committee may grant 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, subject to compliance with the following conditions:

- (a) The Audit Committee shall lay down the criteria for granting the omnibus approval.
- (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 RPT 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) Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- (e) Audit Committee shall review on a quarterly basis, the details of RPT entered into by the Company pursuant to each of the omnibus approval given.
- (f) No prior approval of Audit Committee and shareholders is required to be obtained by the Company, if the RPT is proposed to entered into:
 - I. Between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
 - II. 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.
 - III. 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.

Any changes in the policy on account of regulatory requirements will be reviewed and approved by the Audit Committee and/or the Board. The Audit Committee / Board will give suitable directions / guidelines to implement the same

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, shall further require approval of the Board, either prior to the transaction or approval/ratification within three (3) months from the date of transaction.

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 in the Policy, which are intended to be placed before the shareholders for approval.

Approvals of the Shareholders of the Company

Pursuant to SEBI (LODR) Regulations, 2015, all material related party transactions i.e. exceeding ten (10%) of the annual consolidate turnover of the Company as per last audited financial statement shall require approval of shareholders also.

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 are placed before the shareholders for its approval.

Handling the RPT not approved under this policy

In the event any employee, officer or Director of the Company became aware of any transaction with related party being in deviation from the policy, such person shall promptly notify the Compliance Officer regarding such transaction. The Compliance Officer shall

ensure that such transactions are brought to the Notice of the Audit Committee, as early as possible but not later than the first Audit Committee meeting held after the date of such intimation.

The Audit Committee, shall evaluate such transaction and decide the action to be taken as it may consider appropriate including ratification, revision or termination of the RPT.

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.

The contents of this policy as amended from time to time shall be displayed on the Company's website viz. **www.pactindustries.com**