

# **PENTOKEY ORGANY (INDIA) LIMITED**

## **Policy on Materiality of Related Party Transactions**

[pursuant to clause 49 of the Listing Agreement]

### 1. Policy

All Related Party Transactions (RPTs) of the company covered under the Companies Act, 2013 and Clause 49 of the Listing Agreement will be approved by the Audit Committee of the Board from time to time.

### 2. Procedure

RPTs must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

#### A. Identification of Potential RPT

Each director and Key Managerial Personnel is responsible for providing notice to the Audit Committee of any potential RPT involving him or her or his or her Relative, including any additional information about the transaction that the Audit Committee may reasonably request. Such notice shall comprise of the following information:

- i. Parties to the transaction
- ii. Subject matter of transaction
- iii. Merits of the transaction including description about entering in ordinary course of business and / or at arms length.
- iv. Quotes or proposals from third parties for the identical or similar transactions.
- v. Justification of the transaction with the Related Party.
- vi. Volume, value and period of the proposed transaction.
- vii. Documents in support thereof.

The Audit Committee will thereupon determine whether the transaction does, in fact, constitute a RPT requiring compliance with this policy. The Company strongly prefers to receive such notice of any potential RPT well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

#### B. Prior approval for RPT

RPTs shall require prior approval of Audit Committee. Further, all Material Related Party Transactions (MRPT) shall require the unanimous approval of the Board and also the shareholders through a special resolution when such value of RPTs exceed the limits prescribed under the Act and the Related Parties shall abstain from voting on such resolutions.

### C. Approval Process

The Audit Committee shall within reasonable time convene its meeting and shall discuss the transactions proposed considering the material placed before it. If the Audit Committee concludes that the proposed transaction is in the ordinary course of business and at arm's length and further it not being a Material Related Party Transaction (MRPT), then it shall issue its opinion to the Board accordingly. In such a case, the subject RTP shall not be placed before the Board for any discussion.

If the Audit Committee concludes that the proposed RPT is not in ordinary course of business and / or not on arm's length basis or it being a MRPT then it shall issue its opinion accordingly and forward the proposal to the Board. Thereafter the Board may take up the same for discussion in its next or subsequent meeting for its approval. The proposed RPT or MRPT, as the case may be, if agreed to by the Board shall be by means of a unanimous resolution and the Board shall then recommend for shareholders approval by means of special resolution, of the value of such RPTs exceeds the limit prescribed under the Act. The Audit Committee and / or the Board shall consider the following while approving a RPT or MRPT:

- i. Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any;
- ii. Whether the RPT would affect the independence of an independent director;
- iii. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- iv. Whether the Company was notified about the RPT 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
- v. Whether the RPT 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, 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. Audit Committee can provide omnibus approval for RPT (including MRPT) which are repetitive in nature if the following conditions are satisfied:
  - i. RPTs which are in the ordinary course of business are eligible for omnibus approval subject to facts and circumstances in the opinion of the Audit Committee is in the interest of the Company entitling omnibus approval.
  - ii. While according omnibus approval the Audit Committee shall consider identity of the Related Party, nature of transaction, frequency of the transaction, value of the transaction, indicative

price and any price revisions over a period of time and such other factors which are in the interest of the Company prior to granting omnibus approval. The Audit Committee can impose such conditions as it may deem fit while approving

iii. The omnibus approvals given by Audit Committee shall be valid for a period of one year and is further review by the Audit Committee every quarter.

#### WHERE APPROVAL OF SPECIAL RESOLUTION BY SHAREHOLDERS NECESSARY

D. Related Party Transactions not approved under this Policy In the event the Company becomes aware of a RTP that has not been approved as per this Policy prior to its consummation or commencement, it shall be immediately referred and shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding such RTP, and shall evaluate all options available to the Company, including ratification, revision or termination of the RTP.

The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RTP to the Audit Committee under this Policy, and shall take any such action it deems appropriate.

Where the Audit Committee determines not to ratify a RPT that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. The Audit Committee shall also bring to the immediate notice of the Board about such RPT.

#### E. Waiver

The Audit Committee for reasons recorded in writing has authority to modify or waive any procedural requirements of this Policy.

#### 5. Communication

The Policy shall be communicated to all the directors, Key Managerial Personnel and employees of the Company.

#### 6. Review of the Policy

The Committee and/ or Board may review, alter, amend or modify the Policy from time to time in line with the requirement of the Companies Act, 2013, SEBI Regulations or any other statutory provisions applicable to the Company.

[Policy adopted by the Board of Directors at its meeting held on 13<sup>th</sup> August, 2014 & duly modified on 12<sup>th</sup> November, 2014]