

POLICY ON RELATED PARTY TRANSACTIONS AND MATERIALITY OF RELATED PARTY TRANSACTIONS.

1. PURPOSE

The Board of Directors of Pokarna Limited (“the Company”), on recommendation of the Audit Committee, has adopted this policy to regulate transactions of the Company by Related Parties in compliance with various applicable laws, including under the Companies Act, 2013 (the “Act”) and the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter called as LODR), prescribed for related party transactions.

Pursuant to Regulation 23(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, (Listing Regulations), the Company is required to formulate a policy on related party transactions and materiality of related party transactions, approved by the Board of Directors and such policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly.

The Company has formulated guidelines for identifying related parties and maintaining proper documentation of all related party transactions in compliance with the provisions of Section 188 of the Companies Act, 2013 read with the Rules made thereunder and Regulation 23 of the Listing Regulations.

The Policy provides a framework for governance and reporting of related party transactions, including material transactions. Amendments from time to time to the Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee.

2. DEFINITION

a) **Arm’s Length Basis:** RPT will be treated to be on ‘Arm’s Length Basis’ if the key terms, taken as a whole, are comparable with those of similar transactions if they would have been undertaken with non-related parties.

b) **Audit Committee:** means the Committee of the Board constituted from time to time under Regulation 18 of the Listing Regulations and Section 177 of the Companies Act, 2013.

c) **Material Related Party Transaction:** means 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 ten percent of the annual consolidated turnover of the Company as per the last audited financial statements or such limits as may be prescribed either in the Companies Act, 2013 and Rules made thereunder or the Listing Regulations, whichever is stricter.

Effective April 1, 2022, a transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds INR one thousand crores or ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements, whichever is lower.

d) **Ordinary Course of Business:** means the 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 enunciated in the Memorandum and the Articles of Association. The Board and the Audit Committee may lay down principles for determining in the ordinary course of business in accordance with statutory requirements and other industry practices and guidelines.

e) **Related Party:** means a related party as defined under Section 2(76) of the Companies Act, 2013 or under the applicable accounting standards.

Provided that any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company shall be deemed to be a related party.

Provided that effective April 1, 2022:

(a) any person or entity forming part of the promoter or promoter group of the Company; or

(b) any person or any entity, holding equity shares:

(i) of 20% or more; or

(ii) of 10% or more, with effect from April 1, 2023;

in the Company either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.

f) **Related Party Transaction:** means a transfer of resources, services or obligations between the Company and a related party, 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.

Effective April 1, 2022, related party transaction means a transaction involving a transfer of resources, services or obligations between:

(i) 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) 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:

Provided that the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding shall not be related party transactions.

i. payment of dividend;

ii. subdivision or consolidation of securities;

iii. issuance of securities by way of a rights issue or a bonus issue; and

iv. buy-back of securities.

g) **Material Modifications:** means and includes any modification to an existing related party transaction having variance of 20% of the approved limit as sanctioned by the Audit

Committee/Board/Shareholders, as the case may be.

h) **Relative:** means a relative as defined under sub-section (77) of Section 2 of the Companies Act 2013 i.e. with reference to any person, means any one who is related to another, if—

- a) members of a Hindu Undivided Family;
- b) Spouse
- c) Father (including Step-Father)
- d) Mother (including Step-Mother)
- e) Son (including Step-Son)
- f) Son's wife
- g) Daughter
- h) Daughter's husband
- i) Brother (including Step-Brother)
- j) Sister (including Step-Sister)

3. POLICY AND PROCEDURE FOR APPROVING RELATED PARTY TRANSACTIONS

The RPTs should be in conformity with the prevailing rules and regulations prescribed by law.

➤ Approval by the Audit Committee of the Company

The Company shall not enter into any related party transactions and subsequent material modifications without the prior approval of the Audit Committee of the Company unless the transaction /contract/ arrangement enjoys any exemption as provided under the Companies Act, 2013 or Rules made there under or under the provisions of the SEBI (Listing Obligations and Disclosure Requirements) 2015. Only those members of the Audit Committee, who are independent directors, shall approve related party transactions.

Provided further that:

a) the audit committee of the Company shall define “material modifications” and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions;

Material Modification shall mean and include any modification/ alteration or variation in relation to any increase or decrease in the value of the transaction/s (except arising out of change in relation to any statutory taxes) or period of contract or any term which has direct or indirect impact on cost, quality or delivery against the agreed terms in relating to any existing related party transaction/s,

b) a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent (10%) of the annual consolidated turnover, as per the last audited financial statements of the listed entity;

c) with effect from 1st April 2023, a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit

committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent (10%) of the annual standalone turnover, as per the last audited financial statements of the subsidiary;

The Audit Committee may grant omnibus approval for RPTs proposed to be entered into by the company, subject to the conditions as stated under Regulation 23 (3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and which are repetitive in nature, provided that such approval shall remain valid for a period not exceeding one year, during which period the commercial terms of approved RPTs may change, provided that arm's length criterion shall be ensured at the time of each such change. Further, where the need for RPTs cannot be foreseen and requisite details are not available, the Audit Committee may grant omnibus approval for such transactions provided that the value of each such transaction shall not exceed Rs. 1 crore.

The Audit Committee shall review the related party transaction on quarterly basis, during the Board meetings, in which quarterly unaudited financial statements of the Company are considered.

Subject to the applicable laws, the Audit Committee shall have the power to ratify, revise or terminate the RPTs, which are not in accordance with this Policy.

Approval of the Audit Committee omnibus approval and/or approval of shareholders shall not be necessary for:

- a) transactions 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;
- b) transactions entered into between two wholly owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

➤ **Approval by the Board of Directors of the Company**

Pursuant to the provisions of Section 188 of the Companies Act, 2013 read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, all transactions which are not in the ordinary course of business and on arm's length, shall be placed before the Board and/or its Shareholders, as applicable, for approval.

The following transactions with related parties shall also be placed before the Board for its 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 on arm's length and decides to refer the same to the Board for approval;
- Transactions which are in the ordinary course of business and on arm's length, but which in the view of the Audit Committee requires approval of the Board; and
- Related party transactions which are to be mandatorily approved by the Board under any law.

➤ **Approval of the Shareholders of the Company**

All transactions enumerated in the first proviso to Section 188(1) of the Companies Act, 2013, which (a) are not in the ordinary course of business and on arm's length; and (b) exceeding the thresholds laid down in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, shall be placed before the shareholders for its approval. Notwithstanding, the RPTs which cross the Materiality thresholds as defined herein shall be entered by the Company only with prior approval of shareholders of the Company, as per applicable provisions of the LODR, as may be amended from time to time.

All material related party transactions shall need prior approval of the Shareholders of the Company through a Resolution on which, no related party shall vote, whether the entity is a related party to the particular transaction or not.

Exclusions: The following shall not be deemed as a RPT :

- i) Any transaction that involves the providing of compensation to a director by way of salary, fee, commission, perquisites, rent free accommodation or otherwise, in connection with his or her duties to the Company;
- ii) Contributions made by the Company to a charitable organization, trust, foundation or university at which a related party is a trustee, director or employee other than key managerial personnel (or comparable position), provided that each such contribution, made in a particular financial year, does not exceed two per-cent (2%) of the Company's average net profit for the preceding three financial years;
- 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.

4. RELATED PARTY TRANSACTION AND ITS THRESHOLD LIMITS

All related party transactions beyond the threshold limits as mentioned below shall be considered as material transactions and require prior approval of the shareholders and entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to particular transaction or not.

Sl no.	Nature of Related Party Transaction	Threshold Limit (% of annual consolidated turnover of the Company as per last audited financial statements)
1.	Payment for usage of brand or Royalty	>5%
2.	Any other	>10% > Rs 1000 crore or 10 % whichever is lower

5. DISCLOSURES

- Every Director and Key Managerial Personnel (KMP) shall disclose the parties in which they are deemed to be interested.
- The Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time and publish the same on its website.

Effective April 1, 2022, the Company shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results.

Effective April 1, 2023, the Company shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results.

- The Company shall disclose, in the Board Report, transactions prescribed in Section 188 of the Companies Act with related parties, which are not in ordinary course in business or arm's length basis along with the justification for entering into such transaction.
- The Company shall disclose the policy on dealing with related party transactions on its website and a web-link thereto shall be provided in the Annual Report.

6. ADMINISTRATIVE MEASURES

The Company's management shall institute appropriate administrative measures to ensure that all RPTs entered into by the Company are in compliance with applicable laws and this Policy. All persons dealing with the related party(ies) shall, irrespective of their level, be responsible for compliance with this Policy. The detailed processes relating to implementation of this Policy, as may be approved by the Audit Committee from time to time, shall be followed by all concerned. The Internal Auditors of the Company shall review the RPTs entered into by the Company on a periodic basis and report their observations to the Audit Committee. The Company Secretary shall be responsible to maintain/update the list of related parties (as required by applicable laws) and provide the same to all concerned. It is the duty of all employees of the Company to ensure that they do not deal with related parties under any kind of influence or coercion. The cases involving any unwarranted pressure should be promptly reported as per mechanism provided under the Whistle Blower Policy of the Company.

7. INTERPRETATION

In any circumstance where the provisions of this Policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the relevant law, rule, regulation or standard will take precedence over this Policy until such time as this Policy is changed to conform to the said law, rule, regulation or standard. In case of any clarification required with respect to this Policy, kindly contact the Company Secretary of the Company.