

PIONEER DISTILLERIES LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

1. Scope and purpose of the Policy

- 1.1. Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval for related party transactions as prescribed under the Companies Act, 2013 (“**Companies Act**”) read with the rules framed thereunder and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) Pioneer Distilleries Limited (“**PDL**” or “the **Company**”) has formulated certain guidelines for identification of related parties and related party transactions, and for the disclosures in relation thereto.
- 1.2. Also, Regulations 23(1) of the SEBI Listing Regulations requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions.
- 1.3. In light of the above, PDL has framed this policy on related party transactions (“**Policy**”). This Policy has been adopted by the board of directors of PDL (“**Board**”). Going forward, the Audit Committee of the Board (“**Audit Committee**”) would review and amend the Policy from time to time, subject to the approval of the Board.

2. Objective of the Policy

- 2.1. The objective of the Policy is to set out (a) the materiality thresholds for related party transactions to be entered into by the Company, for the purpose of ascertaining whether the said transactions will need to be placed before shareholders of the Company for their approval; and (b) the manner of dealing with related party transactions to be entered into between the Company, in accordance with the relevant provisions of the Companies Act, the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company from time to time.

3. Definitions

- 3.1. “**Arm’s Length Transaction**” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- 3.2. “**associate company**” or “**associate**” 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 purposes of this definition, "significant influence" means control of at least 20% of total voting power, or control of or of business decisions under an agreement.

- 3.3. **"Audit Committee"** shall have the meaning as set out in paragraph [1.3] above.
- 3.4. **"Board"** shall have the meaning as set out in paragraph [1.3] above.
- 3.5. **"Companies Act"** shall have the meaning set out in paragraph [1.1] above.
- 3.6. **"Companies Act Related Party"** means a related party under the Companies Act, that is to say with reference to the Company:
- (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 or his Relative is a member or is a director;
 - (v) a public company in which a director or manager is a director and holds along with his relatives, more than 2% of its paid-up share capital;
 - (vi) any body 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-paragraphs (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 the Company; or
 - (b) a subsidiary of a holding company to which the Company is also a subsidiary.
 - (ix) a director or a Key Managerial Personnel of the holding company or his Relative; or
 - (x) such other persons as may be prescribed from time to time, under the Companies Act or the rules made thereunder.
- 3.7. **"Companies Act Related Party Transaction"** means any contract or arrangement between the Company and a Companies Act Related Party with respect to:
- (i) sale, purchase or supply of any goods or materials;
 - (ii) selling or otherwise disposing of, or buying, property of any kind;
 - (iii) leasing of property of any kind;
 - (iv) availing or rendering of any services;

- (v) appointment of any agent for purchase or sale of goods, materials, services or property;
- (vi) such Companies Act Related Party's appointment to any office or place of profit in the Company, its subsidiary company or associate company; and
- (vii) underwriting the subscription of any securities or derivatives thereof, of the Company.

For the purpose of this definition, 'office or place of profit' means any office or place:

- (a) where such office or place is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- (b) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

3.8. **"Company"** or **"PDL"** means Pioneer Distilleries Limited.

3.9. **"holding company"** in relation to one or more other companies means a company of which such companies are subsidiary companies.

3.10. **"Key Managerial Personnel"** means the following officers of a company:

- (i) managing director or chief executive officer or the manager;
- (ii) company secretary;
- (iii) whole-time director;
- (iv) chief financial officer; and
- (v) such other officer as may be prescribed under the Companies Act or the rules thereunder, from time to time.

3.11. **"SEBI Listing Regulations"** shall have the meaning as set out in paragraph [1.1] above.

3.12. **"SEBI Listing Regulations Related Party Transaction"** means transfer of resources, services or obligations between the Company and a Related Party as per the definition under the SEBI Listing Regulations, regardless of whether a price is charged, and for the purpose of this definition 'transaction' includes a single transaction or a group of transactions in a contract.

3.13. **"SEBI Listing Regulations Related Party"** means a related party under the SEBI Listing Regulations, that is to say a person or an entity:

- (i) which is a Companies Act Related Party; or
- (ii) which is a related party under the applicable accounting standards.

3.14. **“Material Companies Act Related Party Transaction”** means a Companies Act Related Party Transaction, where such transaction involves:

(i) sale, purchase or supply of any goods or materials, directly or through appointment of agent, exceeding 10% of the turnover of the company or Rs.100 crores, whichever is lower, as mentioned in sub-paragraphs (i) and (v) of paragraph [3.7];

(ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, exceeding 10% of net worth of the company or Rs.100 crores, whichever is lower, as mentioned in sub-paragraphs (ii) and (v) of paragraph [3.7];

(iii) leasing of property of any kind exceeding 10% of the net worth of the company or 10% of turnover of the company or Rs.100 crores, whichever is lower, as mentioned in sub-paragraph (iii) of paragraph [3.7];

(iv) availing or rendering of any services, directly or through appointment of agent, exceeding 10% of the turnover of the company or Rs.50 crores, whichever is lower, as mentioned in sub-paragraphs (iv) and (v) of paragraph [3.7];

(v) appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding Rs.2,50,000 as mentioned in sub-paragraph (vi) of paragraph [3.7]; or

(vi) remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding 1% of the net worth as mentioned in sub-paragraph (vii) of paragraph [3.7],

each of the transactions in (i) to (vi) above, subject to such changes as may be made from time to time under the relevant rules under the Companies Act.

For the purpose of this definition:

(a) the turnover or net worth shall be on the basis of the audited financial statement (on a standalone basis) of the Company for the preceding financial year; and

(b) the limits specified in sub-paragraphs (i) to (iv) above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

3.15. **“Material SEBI Listing Regulations Related Party Transaction”** means a SEBI Listing Regulations Related Party Transaction where such transaction to be entered into individually or taken together with previous Related Party Transactions during a financial year, exceeds 10% of the annual turnover / consolidated turnover of the Company as per the last audited financial statements of the Company or a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken

together with previous transactions during a financial year, exceed five percent or such other limit in terms of the SEBI Listing Regulations in force from time to time.

3.16. **“Material Related Party Transaction”** means, depending on the context, either a Material SEBI Listing Regulations Related Party Transaction, or a Material Companies Act Related Party Transaction, or both.

3.17. **“Omnibus Approval”** shall have the meaning as set out in paragraph [5.2] below.

3.18. **“ordinary course of business”** means a transaction, contract or arrangement:

(i) carried out in the normal course of business envisaged in accordance with the memorandum of association of the Company, as amended from time to time;

(ii) which is consistent with the historical practice of the Company, with a pattern of frequency;

(iii) which is consistent with the common commercial practice; or

(iv) that meets any other parameters or criteria as may be decided by the Board or the Audit Committee from time to time.

3.19. **“Policy”** shall have the meaning as set out in paragraph [1.3] above.

3.20. **“Related Party”** means, depending on the context, either a SEBI Listing Regulations Related Party, or a Companies Act Related Party, or both.

3.21. **“Related Party Transaction”** means, depending on the context, either a SEBI Listing Regulations Related Party Transaction, or a Companies Act Related Party Transaction, or both.

3.22. **“Relative”** with reference to any person, means anyone who is related to another, if:

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

(ii) they are husband and wife; or

(iii) one person is related to the other person as -

(a) Father (including step-father);

(b) Mother (including step-mother);

(c) Son (including step-son);

(d) Son’s wife;

(e) Daughter;

(f) Daughter’s husband;

(g) Brother (including step-brother); and

(h) Sister (including step-sister).

3.23. **“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.

For the purposes of this definition:

- a. a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-paragraphs (i) or (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; and
- c. the expression "company" includes any body corporate.

4. Manner of dealing with Related Party Transactions

Identification of Related Parties

- 4.1. Prior to entering into any transaction, contract or arrangement, the Company shall ascertain whether the counterparty for such transaction, contract or arrangement is a Related Party of the Company.

Identification of transactions which could potentially be Related Party Transactions

- 4.2. If the Company determines that:
 - (i) the counterparty is a Companies Act Related Party as per paragraph [4.1] above, then it shall ascertain whether the contract or arrangement to be entered into with such counterparty is a Companies Act Related Party Transaction in terms of paragraph [3.7] above; or
 - (ii) the counterparty is a SEBI Listing Regulations Related Party as per paragraph [4.1] above, then it shall ascertain whether the transaction to be entered into with such counterparty is a SEBI Listing Regulations Related Party Transaction in terms of paragraph [3.12] above.

Determining whether a Related Party Transaction is a Material Related Party Transaction

- 4.3. If the Company determines that a contract, arrangement or transaction proposed to be entered into by the Company is:
 - (i) a Companies Act Related Party Transaction, then it shall determine whether such transaction is a Material Companies Act Related Party Transaction in terms of paragraph [3.14] above; or

(ii) a SEBI Listing Regulations Related Party Transaction, then it shall determine whether such transaction is a Material SEBI Listing Regulations Related Party Transaction in terms of paragraph [3.15] above.

Determining whether a Related Party Transaction is an Arm's Length Transaction and in the ordinary course of business of the Company

- 4.4. Whether a transaction is an Arm's Length Transaction and in ordinary course of business of the Company for the purpose of this Policy shall be determined [on a case to case basis] by the Chief Financial Officer of the Company (or, in his/her absence, any other person discharging that function) in consultation with the General Counsel of United Spirits Ltd, holding company of the Company (or, in his/her absence, any other person discharging that function) and the Company Secretary, with expert advice as may be required from time to time.

Tabling before the Audit Committee

- 4.5. The steps at paragraphs [4.1 to 4.3] above shall be taken by the management and the steps at paragraph [4.4] by the personnel mentioned therein, and statements with details of the transactions so identified as Related Party Transactions and Material Related Party Transactions shall be placed by the management before the Audit Committee for its review. The Audit Committee shall finally determine whether such transactions constitute Related Party Transactions requiring compliance with this Policy.

Audit of top five Related Party Transactions in a financial year

- 4.6. The Company may engage an audit firm, other than the audit firm which is the statutory auditor of the Company, to conduct an audit of the top five Related Party Transactions at the end of a financial year, in order to assess whether such transactions were entered into on arms' length terms and in the ordinary course of business of the Company. Such audit firm upon engaging them shall submit a report with its findings in this regard to the Board [within a period of 30 days from the end of every financial year]. For the avoidance of doubt, the top five Related Party Transactions will be determined in accordance with monetary value of such transactions during the financial year for which the above assessment is made.

5. Approval of Related Party Transactions

Approval of the Audit Committee

- 5.1. Entering into and subsequent modification of any Related Party Transaction shall require prior approval of the Audit Committee.
- 5.2. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company ("**Omnibus Approval**"), subject to the following conditions:
 - 5.2.1. The Audit Committee shall lay down the criteria for granting such Omnibus Approval in line with this Policy and such Omnibus Approval shall be applicable in respect of Related Party Transactions which are repetitive in nature;
 - 5.2.2. The Audit Committee shall satisfy itself the need for such Omnibus Approval and that such approval is in the interest of the Company;
 - 5.2.3. 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. However, where the need for such 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;
 - 5.2.4. Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each Omnibus Approval given; and
 - 5.2.5. Such Omnibus Approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
- 5.3. While laying down the criteria for granting an Omnibus Approval as specified in paragraph [5.2.1] above, the Audit Committee shall, amongst other things, consider the following:
 - (a) if the transaction pertains to certain goods or products,
 - i. if such goods or products are dealt with by the Company in its ordinary course of business, whether the price at which such transaction is proposed to be entered into is comparable to the market price for such goods or products as applicable to other customers or vendors of the Company;
 - ii. if such goods or products are not dealt with by the Company in its ordinary course of business, but are being procured or sold specifically with respect to a particular Related Party, the price at which such transaction is proposed to

be entered into, and the mark-up over the market price for such goods or products; and

(b) in other cases whether in respect of any services and allocated costs which are proposed to be shared between the Company and a Related Party under a transaction (including space, depreciation of common assets, rent of common premises, cost sharing of common staff, etc.), such Related Party will reimburse the Company at actual cost or at a mark-up over the actual cost.

5.4. Nothing in paragraph [5.2] shall apply to Related Party Transactions to be entered into between the Company and any wholly owned subsidiary of the Company, whose accounts are consolidated with the Company and placed before the Company's shareholders at the general meeting for approval.

Approval of the Board

5.5. Entering into any Companies Act Related Party Transaction shall require prior approval of the Board, unless such transaction is an Arm's Length Transaction to be entered into by the Company in ordinary course of business.

5.6. The agenda of the Board meeting at which such resolution is proposed to be moved shall disclose:

(a) the name of the Companies Act Related Party and nature of relationship;

(b) the nature, duration of the contract and particulars of the contract or arrangement;

(c) the material terms of the contract or arrangement including the value, if any;

(d) any advance paid or received for the contract or arrangement, if any;

(e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;

(f) 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

(g) any other information relevant or important for the Board to take a decision on the proposed Companies Act Related Party Transaction.

5.7. Where any director is interested in any Companies Act Related Party Transaction, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such Companies Act Related Party Transaction.

Approval of the shareholders of the Company

5.8. Entering into any Material SEBI Listing Regulations Related Party Transaction shall require approval of the shareholders of the Company, by way of an ordinary resolution,

and entering into any Material Companies Act Related Party Transaction shall require approval of the shareholders of the Company by way of ordinary resolution and no related party shall vote to approve such resolutions whether the entity is a related party to a particular transaction or not.

5.9. Nothing in paragraph [5.8] above shall apply to:

(a) Material Related Party Transactions to be entered into between the Company and any wholly owned subsidiary of the Company, if any, whose accounts are consolidated with the Company and placed before the Company's shareholders at the general meeting for approval; and

(b) Material Companies Act Related Party Transactions which are Arm's Length Transactions to be entered into by the Company in ordinary course of business.

5.10. The explanatory statement to be annexed to the notice of a general meeting convened for seeking such approval shall contain the following particulars, namely:—

(a) name of the related party;

(b) name of the director or Key Managerial Personnel who is related, if any;

(c) nature of relationship;

(d) nature, material terms, monetary value and particulars of the contract or arrangement; and

(e) any other information relevant or important for the members to take a decision on the proposed resolution.

5.11. For a Material SEBI Listing Regulations Related Party Transaction so placed before shareholders for approval, all shareholders which are SEBI Listing Regulations Related Parties shall not vote to approve the resolution irrespective of whether such shareholders are parties to the particular transaction or not.

5.12. For a Material Companies Act Related Party Transaction so placed before shareholders for approval, all shareholders which are Companies Act Related Parties with respect to that transaction shall not vote to approve the resolution.

Effect of non-approval of Related Party Transactions

5.13. Where any Companies Act Related Party Transaction (or Material Companies Act Related Party Transaction) is entered into by a director or any other employee of the Company, without obtaining the consent of the Board as per paragraph [5.5] or approval by a special resolution in the general meeting as per paragraph [5.8], and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within

three months from the date on which such transaction was entered into, such transaction shall be voidable at the option of the Board and if the transaction is with a Companies Act Related Party to any director, or is authorised by any other director, the directors concerned shall indemnify the Company against any loss incurred by it.

6. Disclosure of Related Party Transactions

- 6.1. The Company shall disclose this Policy on its website and a web link thereto shall be provided in the Annual Report.
- 6.2. Details of all Material Related Party Transactions shall be disclosed by the Company on a quarterly basis, along with the compliance report on corporate governance.
- 6.3. In addition, the Company shall make disclosures in respect of Related Party Transactions as per the provisions of SEBI Listing Regulations.
- 6.4. All Companies Act Related Party Transactions shall be referred to in the Board's report to the shareholders along with the justification for entering into such transactions.
7. In case of any inconsistencies found in this policy with the Companies Act, 2013 or SEBI Listing Regulations or any other laws as may be amended from time to time or rules, circulars, notifications etc., as may issued from time to time, the provisions prescribed in the Companies Act, 2013, SEBI Listing Regulations, other applicable laws, rules, circulars, notifications etc., shall have overriding effect on this policy and this policy has to be read in conjunction with such amendments as may be applicable to this policy.

(Last amended at the Board Meeting held on 11th June 2020).
