

PIONEER EMBROIDERIES LIMITED ['the Company']
Policy and Procedures with respect to Related Party Transactions

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS:

[Section 188 of the Companies Act, 2013 read with the Regulations 23, 27 of the Securities & Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the Listing Regulations') as amended from time to time]

I. PURPOSE

- (1) The Purpose of this Policy and Procedure document is to ensure protection of corporate interest, adequate disclosure and proper procedure to be followed for the material transactions or arrangement or contract to be entered into or performed by and between the Company or its subsidiaries or associates and Related Parties (as defined below) in accordance with the principle enshrined in the Companies Act, 2013 and the Listing Regulations.
- (2) Pioneer Embroideries Limited (hereinafter referred to as 'the Company' / 'listed entity') recognizes that there are situations in which Related Party Transactions might be in the best interests (or at least not inconsistent with the interests) of the Company and its shareholders. Such situations could include, without limitation, transactions or arrangements according to which the company could engage into the transfer of resources, services, rights or obligations with Related Parties (as defined below).

II. APPLICABILITY

This Policy and procedure apply to the contracts, arrangements or transactions by the Company with the parties in which director(s) or senior management personnel are interested directly or indirectly through relatives, bodies corporate, trusts, etc. as described under the Companies Act, 2013 and the Listing Regulations.

III. DEFINITIONS

- (1) **Arm's length transaction** shall have the same meaning as defined under Section 188 of the Companies Act, 2013 (and as amended from time to time); which presently reads as follows:
The expression '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.
- (2) **Material transaction with related party (Material Related Party transactions)** shall have the same meaning as explained under the Regulation 23 of the Listing Regulations (as amended from time to time); which presently reads as follows:
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 rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

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- (3) **Related party** shall have the same meaning as defined under the Regulation 2 of the Listing Regulations (as amended from time to time); which presently reads as follows:
“related party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards.
- (4) **Related Party Transaction** shall have the same meaning as defined under Section 188 of the Companies Act, 2013 read with the Regulation 2 of the Listing Regulations (as amended from time to time).
- (5) **The Regulations:** The Regulations refers to the applicable provisions of the Companies Act, 2013, read with the rules made under the Companies Act, 2013, Articles of Association, various corporate codes, regulations, policies, applicable guidelines - regulations from Securities and Exchange Board of India, the Listing Regulations etc. (as amended from time to time).

IV. PROCEDURES

- (1) *Related Party Transactions*, falling within the ambit of the provisions of Section 188 of the Companies Act, 2013, read with the applicable rules made there-under and the Listing Regulations (as amended from time to time), shall require approval of the Audit Committee. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the conditions as specified under the Regulation 23 of the Listing Regulations and applicable provisions of the Companies Act, 2013 as amended from time to time.
- (2) All *Material Related Party Transactions* shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions as per the relevant provisions of section 188 of the Companies Act, 2013 and the Regulation 23 of the Listing Regulations.
- (3) The Audit Committee of the Company will review the relevant facts and circumstances of Related Party Transactions, the extent of the Related Party’s interest in the transaction, take into account the conflicts of interest, etc. and either approve or disapprove the Related Party Transaction.
- (4) Any Related Party Transaction will be consummated and will continue only if the Audit Committee has approved or ratified such transaction in accordance with the Regulations.

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions

- (5) Management will present to the Audit Committee the statement of the Related

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Party Transactions, including all relevant facts and circumstances and will update the Audit Committee as to any material changes to any approved or ratified Related Party Transaction.

- (6). The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:
 - (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
 - (ii) the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation;
 - (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
 - (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation;
 - (v) any other condition as specified by the audit committee:Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.]
- (1) The Audit Committee shall assess the materiality of a Related Party’s interest in the Related Party Transactions.
- (2) The Audit Committee shall consider all of the relevant facts and circumstances available to it, including the benefits to the Company and whether the Related Party Transaction is on the arm’s length basis. No member of the Audit Committee may participate in any review, consideration or approval of any Related Party Transaction, if such member is the Related Party with regard to the concerned transaction.
- (3) The Board of Directors [‘the Board’], upon the approval of the Audit Committee, take note of the Related Party Transactions and the Directors present at such meeting shall sign the Register of Contract in pursuance of requirement under Section 189 and other applicable provisions of the Companies Act, 2013 read with the Regulations.
- (4) All Related Party Transactions pursuant to section 188 of the Companies Act, 2013 which are not in the ordinary course of business and / or not an Arms’ length basis and which crosses the prescribed threshold limits shall also require the approval of shareholders of the Company as prescribed under Companies Act, 2013 (including any amendment thereof).

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V. DISCLOSURE

1. Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/ Audit Committee may reasonably request. Board/ Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy and procedure.
2. The Company strongly prefers to receive such notice of any Related Party Transaction well in advance so that the Audit Committee/ Board has adequate time to obtain and review information about the proposed transaction.
3. Related Party Transactions shall be disclosed in the Board’s Report or in the Financial Statements as may be required by the Regulations.

VI. INTERPRETATION

This Policy is intended to comply with the Companies Act, 2013 and the Listing Regulations. Notwithstanding anything herein to the contrary, this Policy will be interpreted only in such manner so as to comply with the Companies Act, 2013 and the Listing Regulations. In the event that a Related Party Transaction would constitute a conflict of interest, the provisions of the Companies Act, 2013 and the Listing Regulations will apply to such Related Party Transaction. Any word not defined in this Policy shall have the same meaning as defined under the Companies Act, 2013 and the Listing Regulations, including any amendments thereto from time to time. In case any word or provision as appearing in this Policy is contrary to the meaning or provision as provided under the Companies Act, 2013 or the Listing Regulations, then the meaning or provision as provided under the Companies Act, 2013 / the Listing Regulations shall prevail.

This policy shall always be in conformity with the provisions of the Regulations and any amendments in the Regulations shall be deemed to form part of this Policy.