

Standard Shoe Sole and Mould India Limited

Policy on Related Party Transactions

POLICY ON RELATED PARTY TRANSACTIONS

PREAMBLE

The Board of Directors (the “Board”) of Standard Shoe Sole and Mould India Limited (the “Company” or “SSSMIL”), has adopted the following policy and procedures with regard to the Related Party Transactions as defined below. The Audit Committee shall review and may propose amendments to this policy as may be required.

The policy will be applicable to the Company. This policy is to regulate transactions between the Company and its related parties based on the laws and regulations applicable on the company.

This policy is framed as per the requirement of Revised Clause 49 of the Listing Agreement and intended to ensure the proper approval and reporting of transaction between the Company and its Related Parties as determined under Listing Agreement, Companies Act, 2013 and rules prescribed thereunder (“Act”), and any other laws and regulations as may be applicable to the Company.

The Company is required to disclose in its Annual Financial Statements and Directors Report, certain transactions between the Company and Related Parties as well as policy relating thereto. The Related Party Transaction Policy shall be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report.

SCOPE AND PURPOSE OF THE POLICY

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 of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed there under and Clause 49 of the Listing Agreement (as amended by SEBI Circulars dated April 17, 2014 and September 15, 2014), Standard Shoe Sole and Mould India Limited (“SSSMIL” or “the Company”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Clause 49(VII)(C) of the Listing Agreement requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions. In light of the above, SSSMIL has framed this Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

OBJECTIVES

The objective of this Policy is to

- (a) Ensure that proper reporting, approval and disclosure processes are in place
- (b) Set out the materiality thresholds for related party transactions and;

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- (c) Define the manner of dealing with the transactions between the Company and its related parties based on the Act, Clause 49 of the Listing Agreement, Companies Act, 2013 and any other laws and regulations as may be applicable to the Company.
- (d) To deal with the review and approval of Material Related Party Transactions keeping in mind the potential or actual conflicts of interest that may arise because of entering into these transactions.

DEFINITIONS

1. Act means Companies Act, 2013 and any rules framed thereunder, including any modifications, amendments, clarifications, notifications, circulars or re-enactments thereof.
2. “Arm’s Length Transaction” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no question of conflict of interest.
3. Audit Committee or Committee means the Committee of Board constituted as per section 177 of the Companies Act, 2013 and Revised Clause 49 of Listing Agreement.
4. Board or Board of Directors means the Board of Directors of the Company
5. Company means Standard Shoe Sole and Mould India Limited
6. Key Managerial Personnel or KMP means the Key Managerial Personnel as defined in Section 2(51) of Companies Act, 2013
As per Section 2(51) of Companies Act, 2013
‘Key Managerial Personnel’, in relation to company, means –
the Chief Executive Officer or the managing director or the manager;
the whole-time director;
the Chief Financial Officer;
the Company Secretary; and
such other officer as may be prescribed
7. Listing Agreement means Equity Listing Agreement with the Stock Exchange.
8. Policy means policy for Related Party Transactions
9. Control means control as defined in Section 2 (27) of the Act and shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
10. Related Party”, with reference to a Company, shall have the same meaning as defined in Section 2(76) of the Companies Act, 2013 and Clause 49 of the Listing Agreement
Clause 49 defines related party as:
An entity shall be considered as related to the Company if :
 - (i) Such entity is a related party under section 2 (76) of the Companies Act, 2013; or
 - (ii) Such entity is a related party under the applicable accounting standardsSection 2(76) of the Companies Act, 2013 defines related party as
 - (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 is a member or director;
 - (v) A public company in which a director or manager is a director and holds along with his relatives, more than two per cent. of its paid-up share capital;

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- (vi) Anybody 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; [Except advice, directions or instructions given in a professional capacity]
- (vii) Any person on whose advice, directions or instructions a director or manager is accustomed to act.[Except advice, directions or instructions given in a professional capacity]
- (viii) Any company which is a holding, subsidiary or an associate company of such company; or a subsidiary of a holding company to which it is also a subsidiary. (ix) A director other than an Independent Director or Key Managerial Personnel of the holding Company or his relative with reference to a Company.

11. “Related Party Transaction” (RPT) means –

for the purpose of the Act, specified transaction mentioned in clause (a) to (g) of sub-section 1 of Section 188;

for the purpose of Clause 49, any transaction involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

As per Section 188 of the Act, shall means contracts or arrangements with related party with respect to :- (a) Sale, purchase or supply of any goods or materials; (b) Selling or otherwise disposing of, or buying, property of any kind; (c) Leasing of property of any kind; (d) Availing or rendering of any services; (e) Appointment of any agent for purchase or sale of goods, materials, services or property; (f) Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and (g) Underwriting the subscription of any securities or derivatives thereof, of the Company.

As defined under Clause 49, means to include transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged. Explanation: A transaction with a related party shall be construed to include single transaction or a group of transactions in a contract.

12. A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

13. “Material Related Party Transaction” means a transaction with a related party where the transaction/transactions 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 of the Company.

14. Relative means relative as defined under the Act

Section 2(77) of Companies Act, 2013

with reference to any person, means who is related to another, if:-

- (i) They are members of a Hindu Undivided Family;
- (ii) They are Husband or wife or apollo
- (iii) (iii) One person is related to the another in the following manner, namely:-
 - a. Father, includes step-father.
 - b. Mother, includes step-mother.
 - c. Son, includes step-son.
 - d. Son’s wife.

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- e. Daughter.
 - f. Daughter’s husband.
 - g. Brother, includes step-brother.
 - h. Sister, includes step-sister.
15. Transactions in “ordinary course of business” shall mean and include- - Transactions that are entered in the normal and usual course of business and are identical to the business of the company. - Transactions that are reasonable in the context of the business of the company. - Transactions that are part of the standard industry practice.
16. ‘Associate company’ 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.
Explanation: For the purposes of this definition, ‘significant influence’ means control of at least 20% of the total share capital, or of business decisions under an agreement
17. ‘Net Worth’ means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write back of depreciation and amalgamation.
18. ‘Office or place of profit’ means any office or place – Where such office or place is held by a director, if the director holding it receives from the company anything by the way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, any rent free accommodation or otherwise; 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 the way of remuneration, salary, fee, commission, perquisites, any rent free accommodation or otherwise.
19. ‘Turnover’ means the aggregate value of the realization of amount made from the sale, supply or distribution of goods or on account of services rendered, or both, by the company during a financial year.

MATERIALITY THRESHOLD

Clause 49 of the Listing Agreement requires a company to provide materiality thresholds for transactions beyond which the shareholders’ approval will be required by way of a special resolution. The Company has fixed its materiality threshold at 10% of the annual consolidated turnover of the Company as per last audited financial statements of the company for the purpose of Clause 49(VII) (C) of the Listing Agreement.

Nature of Transactions	Materiality as per Companies Act, 2013 (A)	Materiality as per SEBI (B)
Sale, purchase or supply of any goods or materials directly or through appointment of agents	Exceeding 10% of Turnover or Rs.100 Crores, whichever is lower	Exceeding 10% of the annual consolidated turnover

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Buying, selling or disposing of property of any kind directly or through appointment of agents	Exceeding 10% of Networth or Rs.100 Crores, whichever is lower	Exceeding 10% of the annual consolidated turnover
Leasing of any kind of property	Exceeding 10% of Networth or 10% of Turnover or Rs.100 Crores, whichever is lower	Exceeding 10% of the annual consolidated turnover
Availing or rendering of any services directly or through appointment of agents	Exceeding 10% of Turnover or Rs.50 Crores, whichever is lower	Exceeding 10% of the annual consolidated turnover
Appointment to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration exceeding Rs.250,000	Exceeding 10% of the annual consolidated turnover
Remuneration for underwriting the subscription of any securities in or derivatives thereof	Exceeding 1% of net worth	Exceeding 10% of the annual consolidated turnover
Transfer of resources	-	Exceeding 10% of the annual consolidated turnover

The Company has defined Material RPTs basis the thresholds defined in the Companies Act 2013 and Clause 49.

POLICY

All Related Party Transactions must be reported to the Audit Committee and approved or referred for approval by the Audit Committee based on the Policy

A. Identification of related parties

Each director and Key Managerial Personal is responsible for providing notice to the Board or Audit Committee regarding persons and entities to be considered as “related Party” by virtue of his/her being Director/KMP in the entity or holding certain shareholding percentage. Such notice shall be provided to the company at the time of appointment and also at the time of first board meeting in every financial year and whenever there is any change in the disclosures already made.

B. Identification of potential related party transactions

Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential 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

C. Procedure for approval of Related Party Transactions

Approval of Audit Committee:The Company shall not enter into any contract or arrangement with a Related Party without the approval of the Audit Committee. Prior approval of the Audit

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Committee shall be obtained for all Related Party Transactions other than those with Exempted Wholly Owned Subsidiaries (whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval).

Omnibus Approval:The Audit Committee may, in the interest of the conduct of affairs of the Company, grant omnibus approval for Related Party Transactions that are repetitive in nature, subject to the following conditions:

- a) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- b) The omnibus approval shall provide –
 - (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 (for ex: +/- 5%) and
 - (iii) such other conditions as the Audit Committee may deem fit.

The Audit Committee may also, in the interest of the conduct of affairs of the Company, grant omnibus approval for Related Party Transactions that cannot be foreseen and for which the aforesaid details are not available up to a value of Rs. 1 crore per transaction.

- c) The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approval given;
- d) Such omnibus approval shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.
- e) 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:
 - (i) 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;
 - (ii) Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
 - (iii) Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
 - (iv) Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
 - (v) 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; o management assessment of pricing terms and business justification for the proposed

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transaction; o comparative analysis, if any, of other such transaction entered into by the company.

- f) In the event any contract or arrangement with a related party is not in the ordinary course of business or at arm's length, the Company shall comply with the provisions of the Companies Act 2013 and the Rules framed thereunder and obtain approval of the Board or its shareholders, as applicable, for such contract or arrangement.

Approval of Board of Directors: If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for the Board to approve a Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Any member of the Board who is interested or has potential interest (as mentioned under section 184(2) of the Act), in any related party transaction shall not be present at the meeting during discussions on the subject matter of the resolution relating to such related party transaction.

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, are placed before the Board for its approval

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- a) 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;
- b) 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;
- c) 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. O
- d) Transactions meeting the materiality thresholds laid down Clause 5 of the Policy, which are intended to be placed before the shareholders for approval.

Approval of Shareholders: All material related party transactions, other than those with Exempted Wholly Owned Subsidiaries meeting the materiality thresholds, laid down in Materiality Threshold Clause of the Policy will be placed for approval of the shareholders of the Company. Related Parties shall abstain from voting on such resolution. The related

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parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

All the Transactions, other than the Material Related Party Transaction, with the related parties which are not in the Ordinary Course of Business and at Arms' Length shall, subject to the limits mentioned in Rules 15(3) of the Companies (Meeting of Board and its Power) Rules, 2014, also require the approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

The 'Related Party' referred here has to be construed with reference only to the contract or arrangement for which, the said special resolution is being passed. Thus, the term 'Related Party' in the given context, refers to only such related party as may be a related party in the context of the contract or arrangement for which, the said resolution is being passed.

Transactions not requiring approval of Audit Committee, Board or Shareholders: Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee, Board or Shareholders:

- i. 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.
- ii. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and where all holders of such securities receive the same benefits pro rata as the Related Party.

Transactions not requiring approval of Board or Shareholders: Pursuant to clarification provided in circular No.30/2014 dated 17th July, 2014 of Ministry of Corporate Affairs, Contracts entered into by companies, after making necessary compliances under Section 297 of the Companies Act, 1956, which already came into effect before the commencement of Section 188 of the Companies Act, 2013, will not require fresh approval under the said section 188 till the expiry of the original term of such contracts. Thus, if any modification in such contract is made on or after 1st April, 2014, the requirements under section 188 will have to be complied with.

CRITERIA FOR APPROVAL OF A RELATED PARTY TRANSACTION BY THE BOARD/AUDIT COMMITTEE

To review a Related Party Transaction, the Board / Audit Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters

The information provided shall specifically cover the following:

- i. the name of the related party and nature of relationship;

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- ii. the nature, duration of the contract and particulars of the contract or arrangement;
- iii. the material terms of the contract or arrangement including the value, if any;
- iv. any advance paid or received for the contract or arrangement, if any;
- v. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- vi. 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;
- vii. the persons/authority approving the transaction; and
- viii. any other information relevant or important for the Committee to take a decision on the proposed transaction.

In determining whether to approve a Related Party Transaction, the Board/ Audit Committee shall consider the following factors, amongst others, to the extent relevant to the Related Party Transaction:-

- i. Whether the transaction is in the ordinary course of business of the company.
- ii. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- iii. Whether there are any undue compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- iv. Whether the Related Party Transaction would affect the independence of the directors/KMP;
- v. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- vi. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company; and
- vii. Whether the Related Party transaction 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, Executive Officer 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.

DISCLOSURES

1. Every Director of a Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into—
 - (a) With a body corporate in which such director or such director in association with any other director, holds more than two per cent. shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or

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- (b) With a firm or other entity in which, such director is a partner, owner or member, as the case may be, shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting:

Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

2. All Directors/ KMPs are required to disclose the entities in which they or their relatives are or deemed to be interested, in the prescribed form.
3. Each Director and KMP of the Company shall promptly notify the Company Secretary of the Company of any material transaction or Relationship that could reasonably be expected to give rise to any conflict of interest.
4. The Company shall maintain Register pertaining to Related party transactions in the prescribed form.
5. The related party transaction entered into with the related party/ies shall be disclosed in the Director Report / Annual Report as per the disclosure requirement of the Act and Clause 49.
6. The company shall disclose the policy on dealing with Related Party Transactions on its website and a weblink thereto shall be provided in the Annual Report.
7. Details of all material transactions with related parties shall be disclosed, quarterly in the Compliance Report on Corporate Governance., as required under listing agreement.

RATIFICATION

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

AMENDMENT S TO POLICY

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1. The Audit Committee of the Company shall review and may amend this policy from time to time, subject to the approval of the Board of Directors of the Company. Any or all provisions of this policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications, etc. on the subject as may be issued by relevant statutory authorities, from time to time.
2. The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision /amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.
3. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions hereunder and this policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.

This Policy will be communicated to all operational employees and other concerned persons of the Company and shall be placed on the website of the company.