

The Supreme Industries Limited

Policy on Related Party Transaction

Approved by Audit Committee :23rd july,2015
Approved by Board of Directors: 24th July, 2015

THE SUPREME INDUSTRIES LIMITED
Regd. Office: 612, Raheja Chambers, Nariman Point, Mumbai - 400 021
CIN: L35920MH1942PLC003554

RELATED PARTY TRANSACTION POLICY

1. Preamble

The Board of Directors (the "Board") of The Supreme Industries Limited ("Company" or "SIL"), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee will review and may amend this policy from time to time.

This 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 to the Company.

2. Purpose

This policy is framed as per the requirements of Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges and is intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as its policy concerning the materiality of such transactions and dealings with Related Parties.

3. Definitions

"Audit Committee" or "Committee" means the Audit Committee of the Board of Directors of the Company constituted under provisions of Clause 49 of the Listing Agreement and Rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014.

"Board" means the Board of Directors of the Company.

"Control" shall have the same meaning as defined in paragraph 10 of the Accounting Standard 18.

“Key Managerial Personnel” means key managerial personnel as defined in section 2(51) of the Companies Act, 2013 and paragraph 10 of the Accounting Standard 18 and includes:

- (i) Managing Director, Chief Executive Officer and a Whole-time Director;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer.
- (iv) Such other officer as may be prescribed under the Companies Act, 2013.

“Material Related Party Transaction” means a transaction with a related party if 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.

“Policy” means this Related Party Transaction Policy.

“Related Party” means related party as defined in Clause 49 of the Listing Agreement which is as follows: 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 standards.

“Related Party Transaction” means any transaction between related parties which is a transfer of resources, services or obligations between a company and a related party, regardless of whether or not a price is charged and shall include a single transaction or group of transactions in a contract and any contract or arrangement between the Company and a related party of the nature set out in Section 188(1) of the Companies Act, 2013 and paragraph 24 of Accounting Standard 18 and excluding any transaction entered into by the Company in its ordinary course of business other than transactions not on an arm’s length basis.

“Relative” means a relative as defined in Section 2(77) of the Companies Act, 2013 and paragraph 10 of Accounting Standards 18.

4. Policy

All Related Party Transactions must be reported to the Audit Committee and referred for prior approval by the Committee in accordance with this Policy. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- a) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;
- b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- c) 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;

Provided that where the need for 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. Ten lakhs per transaction.

- d) Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given;
- e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

All Related Party Transactions shall require prior approval of Audit Committee.

Further, all Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions and also, the details thereof shall be disclosed quarterly along with the compliance report on corporate governance. All entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

4.1. 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. Name of the related party and nature of the related party relationship where control exists should be disclosed irrespective of whether or not there have been transactions between the related parties. Board/ Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/ Board has adequate time to obtain and review information about the proposed transaction.

4.2. Review and Approval of Related Party Transactions

Related Party Transactions will be referred to the next regularly scheduled meeting of the Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will **recuse** himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the 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. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- √ 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 as if the transaction did not involve a Related Party;
- √ Whether there are any compelling business reasons for the Company to enter into the Related Party Transactions and the nature of alternative transactions;

- √ Whether the Related Party Transaction would affect the independence of an independent Director;
- √ Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- √ Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed or the same would be detrimental to the Company; and
- √ 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.

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 Board to approve the Related Party Transaction, then 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.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee 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 all holders of such securities receive the same benefits pro rata as the Related Party.
- (iii) Related party disclosure requirements as laid down in this Policy do not apply in circumstances where providing such disclosures would conflict with

the Company's duty of confidentiality as specifically required in terms of a statute or by any regulator or similar competent authority.

5. Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The 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 Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under the Policy, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction and recovery of any loss sustained by the Company as a result thereof. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

This Policy will be communicated to all operational employees and other concerned persons of the Company and shall be disclosed on its website and a web link thereto shall be provided in the Annual Report.