

POLICY ON RELATED PARTY TRANSACTIONS

(Pursuant to Regulation 23 of SEBI (LODR) Regulation 2015 (as amended) as reviewed, revised and adopted by Board in its meeting held on 12/02/2021)

1. 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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), NB Footwear Limited (Company) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

2. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out:

- (a) The materiality thresholds for related party transactions and;
- (b) The manner of dealing with the transactions between the Company and its related parties based on the Act and SEBI Listing Regulations (as amended from time to time) and any other laws and regulations as may be applicable to the Company.

3. DEFENITIONS

3.1 “Act” means the Companies Act, 2013

3.2 “Arm’s Length Transaction” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest

3.3 “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 per Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

3.4 “Company” means NB Footwear Limited

3.5 “Relative” with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed there under

3.6 “Related Party” has the meaning as defined in Section 2(76) of Companies Act, 2013 **OR** any person or entity belonging to the promoter or promoter group of the listed entity and

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holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.

3.7 “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

3.8 “Material Related Party Transaction” means if the 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 or such sum as may be prescribed under LODR, as amended from time to time.

A transactions involving payments made to related party with respect to brand usage or royalty shall be considered material if the transaction to be entered into individually or taken together with previous transactions during a financial year exceeds two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

3.9 “Key Managerial Personnel” or **“KMP”** shall have the meaning as defined in the Companies Act 2013

4. MATERIALITY THRESHOLDS

Contracts / arrangements with a Related Party shall be considered as “material related party transaction” if the 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 or such sum as may be prescribed under LODR, as amended from time to time.

A transactions involving payments made to related party with respect to brand usage or royalty shall be considered material if the transaction to be entered into individually or taken together with previous transactions during a financial year exceeds two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

5. MANNER OF DEALING WITH RELATED PARTY TRANSACTION

5.1 Identification of Related Parties :

The Company shall identify and update the list of related parties as prescribed under Section 2(76) of the Act and Regulation 23 of LODR and applicable Accounting Standards.

5.2 Identification of Related Party Transactions:

The Company shall identify the related party transactions in accordance with Section 188 of the Act and Regulation 23 of LODR and applicable Accounting Standards. The Company shall determine whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company may seek external professional opinion, if necessary.

5.3 Approval of Audit Committee :

All related party transactions shall require prior approval of the audit committee

Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the Company subject to the following conditions, namely-

- (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 regarding the need for such omnibus approval and that such approval is in the interest of the Company;
- (c) the omnibus approval shall specify:
 - (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,
 - (ii) the indicative base price / current contracted price and the formula for variation in the price if any; and
 - (iii) Maximum value of transactions in aggregate or per transaction which can be allowed under the omnibus route in a year;
 - (iv) 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 rupees one crore per transaction.

(d) 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 approvals 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:

5.4 Approval of the Board of Directors of the Company:

As per the provisions of Section 188 of the Act, all kinds of transactions held with related party and are not in the ordinary course of business or not at arm's length basis, be placed before the Audit Committee and on its recommendation would be made with Board approval

5.5 APPROVAL OF THE SHAREHOLDERS OF THE COMPANY

The following types of transactions require approval of the shareholders:

- a) If transactions with related parties exceed the materiality threshold as specified in Clause 4 of the policy;
- b) If transactions with related parties not in the ordinary course of business and/or not on arm's length basis and exceeds the threshold limits laid down in the Companies (Meetings of Board and its Powers) Rules, 2014

For this purpose, all the 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 the particular transaction or not.

6. DISCLOSURES

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or not at arm's length basis along with the justification for entering into such transaction. Also, the Company shall, in Board's Report, disclose material transactions which were entered into arm's length basis.

- In addition to the above, the Company shall also provide details of all related party transactions meeting the materiality threshold (laid down in Clause 4 of the Policy above) on quarterly basis to Stock Exchanges on which the securities of the Company are listed.
- This Policy shall also be uploaded on the website of the Company and a web link thereto shall be provided in the Annual Report.
- The Company shall submit within 30 days from the date of publication of its financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.
- The Company shall enter the details of related party transactions in the Register of Contracts maintained under Section 189 of the Act.

7. REVIEW OF THE POLICY

The adequacy of this Policy shall be reviewed and reassessed by the Audit Committee periodically and appropriate recommendations shall be made to the Board to update the Charter based on the changes that may be brought about due to any regulatory amendments or otherwise.