



POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

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1. INTRODUCTION

- 1.1. Regulation 23(1) of the Listing Regulations, mandates every listed entity to formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the Board of Directors and such policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly.
- 1.2. In line with the aforesaid requirement, the Board of Directors has adopted this Policy on materiality of Related Party Transactions on recommendation of the Audit Committee.
- 1.3. This Policy shall regulate the Related Party Transactions as executed by the Company or its Subsidiaries as prescribed under CA 2013 and Listing Regulations and also lay down mechanism for identification, approval, review and reporting of such transactions.

2. DEFINITIONS

Unless the context otherwise requires, the words, terms, expressions and derivations used in this Policy shall have the same meaning given in the CA 2013 and/ or Listing Regulations or any other law or regulation:

- 2.1 “**Applicable laws**” shall mean the CA 2013, Listing Regulations, and such other act, rules or regulations which provides for the related party transactions.
- 2.2 “**Arm’s Length basis**” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determination of Arm’s Length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.
- 2.3 “**Audit Committee**” or “**Committee**” means Audit Committee of the Board of Directors of the Company constituted under provisions of the CA 2013 and the Listing Regulations.
- 2.4 “**Board of Directors**” or “**Board**” shall mean the Board of Directors of the Company.
- 2.5 “**Company**” shall mean **Swiss Military Consumer Goods Limited**.
- 2.6 “**CA 2013**” shall mean the Companies Act, 2013 read with related rules framed thereunder, as amended.
- 2.7 “**Key Managerial Personnel**” means key managerial personnel as defined under Section 2(51) of the CA 2013.



2.8 **“Listing Regulations”** shall mean Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

2.9 **“Material Related Party Transaction”** means a transaction with a related party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ₹. 1,000 Crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Notwithstanding the above, 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 of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.²

2.10 **“Material modifications”** means a significant change/modification in any of the related party transaction(s) already approved, as mentioned below:

- i. Increase/decrease equivalent to 10% of the value of original contract/transaction;
- ii. Modification resulting in a transaction not meeting the arm’s length principle; and
- iii. Substitution of the whole or part of the original contract with a new one;

2.11 **“Ordinary course of business”** transactions which are entered into in the normal course of the business pursuant to or for promoting or in furtherance of the company’s business objectives, as per the Memorandum and Articles of Association of the Company.

2.12 **“Policy”** shall mean Policy on materiality of Related Party Transactions.

2.13 ³**“Related Party”** means a related party as defined under sub-section (76) of section 2 of CA 2013 or under the applicable accounting standards:

Provided that:

- a) any person or entity forming a part of the promoter or promoter group of the Company; or
- b) any person or any entity, holding equity shares of 10% (Ten per cent) or more in the Company either directly or on a beneficial interest basis as provided under section 89 of CA 2013, at any time, during the immediate preceding financial year, shall be deemed to be a related party.

Note: for the purpose assessing compliance/reporting/disclosure requirement under CA 2013, the definition of related party shall be as per Section 2(76) of CA 2013 only.

2.14 **“Related Party Transaction”**

- A). As per Listing Regulations: means a transaction involving a transfer of resources, services or obligations between:



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- (i) The Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- (ii) The Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries; 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:

Provided that the following will not be a related party transaction:

- a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
 - b) the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.
 - c) retail purchases from the Company or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/ offered to all employees and directors:
- B). As per Section 188 of CA 2013 – Any transaction between a Company and its related party relating 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 the expression “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 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;
 - 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



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body corporate holding it receives from the Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

- g) underwriting the subscription of any securities or derivatives thereof, of the Company.

The aforesaid clauses shall not apply to any transactions entered into by the Company in its ordinary course of business other than transactions which are not on an arm's length basis.

2.15 **"Relative"** as defined under section 2(77) of the CA 2013 means and includes anyone which is related to another if:

- a) They are members of a Hindu undivided family;
- b) They are husband and wife; or
- c) Father (including step-father)
- d) Mother (including step-mother)
- e) Son (including step-son)
- f) Son's wife
- g) Daughter
- h) Daughter's husband
- i) Brother (including step-brother)
- j) Sister (including step-sister)

2.16 **"Stock Exchanges"** shall mean BSE Limited and National Stock Exchange of India Limited, where the securities of the Company are listed.

3. RELATED PARTY TRANSACTIONS

3.1 Identification of Related Party

3.1.1. Each Director and Key Managerial Personal is responsible for providing disclosure 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. 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

3.1.2. The Company shall at all times maintain a database of Company's related parties. The database shall be monitored by the Company Secretary on a quarterly basis.

3.2 Process for Identification of Related Party transactions

3.2.1 Each Director and Key Managerial Personnel is responsible for providing notice to 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.



- 3.2.2 The Board/Audit Committee in consultation with the Company Secretary/ Compliance Officer, will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.
- 3.1.3. Transactions with Related Parties can be in the form of contracts/ agreements etc. which would define the terms governing individual transactions / work orders / purchase orders (Sub-transactions) etc.
- 3.1.4. The process for entering into a Related Party Transaction will be as set out below. The Company will:
- a) identify the transactions with Related Parties;
 - b) determine whether the transaction is in the ordinary course of business operations or otherwise;
 - c) review the commercial terms involved in the transaction and analyse whether the transaction is at 'arm's length' as if the party is unrelated;
 - d) consider the value of the transaction to determine if it is a Material Related Party Transaction or material modification;
 - e) determine the approval requirements applicable to the transaction in accordance with this Policy and Applicable Laws;
 - f) prepare and maintain relevant documentation supporting the basis of its assessment;
 - g) present the required details to the Audit Committee, Board or Shareholders for approvals as required;
 - h) execute the transaction once the approvals are obtained; and
 - i) Make necessary disclosures in terms of the Applicable Laws.
- 3.1.5. The Company shall ensure that no transaction is entered into with any entity/ individual disclosed by the director/ KMP or any other related party without necessary approvals.

3.3 Determining whether a transaction is in the ordinary course of business

Following are some of the criteria that may be considered for determining whether the transaction is in the ordinary course of business:

- 3.2.3 Whether the scope of the transaction is generally consistent with the Company's business activities and/or in furtherance of Company's business and whether the Company enters into, or can enter into, similar transactions with a third party.
- 3.2.4 Whether the transaction is of a nature regularly carried out by the Company, is an important indication that classifies the transaction to be within the Company's ordinary course of business operations.
- 3.2.5 Whether the transaction value is within the reasonable range for

similar types of other transactions.

- 3.2.6 Whether the transaction/activity is covered in the objects clause of the Memorandum of Association.
- 3.2.7 Whether the transaction is repetitive/frequent.
- 3.2.8 Whether the income, if any, earned from such transaction is treated as business income in the Company's books of account.
- 3.2.9 Whether the transactions are common in the footwear industry.
- 3.2.10 The financial scale of the activity with regard to the operations of the business.
- 3.2.11 Revenue generated by the transaction/activity
- 3.2.12 Resources committed to the activity

The above is not exhaustive criteria and the Company will assess each transaction considering its specific nature and circumstances.

3.4 Determining whether a transaction is at arm's length

The arm's length principle and the transfer pricing methodologies prescribed under CA 2013, the Indian Income-Tax Act, 1961 as well as associated domestic and international guidance is to be referred to determine arm length price relating to all related party transactions.

4. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

4.1 Approval of Audit Committee

- 4.1.1** All Related Party Transactions and any subsequent material modification thereto will require prior approval of the Audit Committee. Non-Independent Directors in the Audit Committee may participate in the discussions, however, only Independent Directors of the Audit Committee can approve the Related Party Transactions.
- 4.1.2** Any member of the Audit Committee who is a related party to any transaction will abstain from discussion and voting. In case disinterested members of the Audit Committee could not form the valid quorum, those matters shall be referred to the Board of Directors for necessary approvals if possible under applicable law.
- 4.1.3** The remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not Material Related Party Transaction in terms of clause 2.9 of this Policy.

4.1.4 Prior to approving Related Party Transaction, the Audit Committee will review the following information:

- a) Type, material terms, particulars and value of the proposed transaction. Copy of the valuation or other external party report, if any such report has been relied upon to derive the value of the proposed transaction;
- b) Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise) along with justification as to why the Related Party Transaction is in the interest of the Company;
- c) Tenure of the proposed transaction (particular tenure shall be specified);
- d) Percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary (if any), such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- e) Where transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
 - (i) details of the source of funds in connection with the proposed transaction;
 - (ii) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments then information with respect to nature of indebtedness, cost of funds; and tenure;
 - (iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - (iv) purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the Related Party Transaction
- f) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed Related Party Transaction on a voluntary basis; and
- g) Any other information that may be relevant/ requested by Audit Committee.

4.1.5 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 Related Party Transaction in terms of clause 2.9 of this Policy;
 - 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 the regulation 23 of the Listing Regulations;
 - 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 Company against any loss incurred by it.

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

- a) Whether the terms of the Related Party Transaction are at arm's length basis to the Company or its subsidiary (if any), and would apply on the same basis if the transaction did not involve a Related Party;
- b) Whether the Related Party Transaction would affect the independence of an Independent Director;
- c) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- d) 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 and would be detrimental to the Company; and
- e) 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(ies), 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.

4.1.7 The Audit Committee will review, on an annual basis, the status of long-term (more than one year) or recurring Related Party Transactions.

4.1.8 If the Audit Committee determines that a Related Party Transaction should be recommended to the Board for its approval, or if the Board in any case considers reviewing any such matter or it is mandatory under any law for the Board to approve the Related Party Transaction, 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.

4.1.9 In the case of Transactions which are frequent and regular in nature and are in the normal course of business of the Company, the Audit Committee may grant omnibus approval for such transactions proposed to be entered into by the company or its subsidiaries (if any) subject to the following conditions:

- a) The Audit Committee shall lay down the criteria for granting the omnibus approval, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely:-
 - maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - the maximum value per transaction which can be allowed;
 - extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
 - transactions which cannot be subject to the omnibus approval by the Audit Committee.
- 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) 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.
- d) 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.1 crore per transaction.
- e) Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company or its subsidiary pursuant to each of the omnibus approval given;
- f) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

4.2 Approval of Board of Directors

4.2.1 All the Related Party Transactions (which falls under the purview of CA 2013) which are either not in the ordinary course of business or not at arm's length basis shall require approval of the Board. Further, all the Material Related Party Transactions as per the CA 2013 and Listing Regulations shall be approved by the Board of Directors of the Company. Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the board meeting during discussions on the subject matter of the resolution relating to such contract or arrangement. .

4.2.2 The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose -

- a) the name of the 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 transaction.

4.3 Approval of Shareholders

4.3.1 All the material related party transactions and any subsequent material modification thereto shall require approval of the Shareholders through resolution and Related Parties shall not vote to approve such resolution whether the entity/person is a related party to the particular transaction or not. Note: Any transaction that requires shareholder approval must also specify the material modification limit for the approved transaction. The transaction limit approved by the shareholders cannot be modified unless such modification is expressly approved by them.

4.3.2 In furtherance to above, all other related party transactions falling under section 188 of CA 2013, other than material related party transactions under Listing Regulations, which are either not in the ordinary course of business or not at an Arm's length (also mentioned in the below table) if crossing the threshold provided in table, require the approval from the shareholders through resolution. No member of the Company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the Company, if such member is a related party to that transaction if the transaction requires approval of shareholders under CA 2013 only.

4.3.3 The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the CA 2013, include the following information as a part of the explanatory statement:

- a) Summary of information provided to the Audit Committee as specified in Clause 4.1.5 of this Policy;
- b) Justification for why the proposed transaction is in the interest of the Company;
- c) Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary (if any), the details provided to Audit Committee w.r.t. this item;
- d) Statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- e) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed Related Party Transaction, on a voluntary basis; and
- f) Any other information that may be relevant.



4.3.4 The transactions that requires the approval of the shareholder is provided below with the threshold prescribed under the CA 2013 and Listing Regulations:

S No	Nature of Transactions	Threshold as per the CA 2013	Materiality as per Listing Regulations
1	Sale, purchase or supply of any goods or materials directly or through appointment of agents	Amounting to 10% or more of Turnover of the Company	All transactions with one party exceeding Rs. 1,000 Crores or 10% of the annual consolidated turnover, whichever is lower
2	Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent	Amounting to 10% or more of Net worth of the Company	
3	Leasing of property of any kind	Amounting to 10% or more of the Turnover of the Company	
4	Availing or rendering of any services directly or through appointment of agents	Amounting to 10% or more of Turnover of the Company	
5	Appointment to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration exceeding INR 250,000/-	
6	Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company	Exceeding 1% of the net worth	
7	Transfer of resources, services or obligations	-	
8	Transaction involving payment for brand usage or royalty	-	

The limits specified above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

The Turnover or Net Worth referred in the above sub-rules shall be computed on the basis of the Audited Financial Statement of the preceding financial year.

5. REPORTING AND DISCLOSURES

- 5.1 Every contract or arrangement, which is required to be approved by the Board/shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement and in the prescribed format.
- 5.2 Disclosures of Related Party Transactions shall be submitted to the Stock Exchanges every six month in the format specified by SEBI, as amended from time to time, immediately on the date of publication of the financial results for the half year and the said disclosure shall also uploaded on the Company's website.

Provided that the remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require disclosure if the same is not Material Related Party Transaction in terms of clause 2.9 of this Policy.

- 5.3 The Company shall comply with any other reporting and disclosure requirements as may be prescribed from time to time in terms of the applicable laws.
- 5.4 The Company shall disclose this Policy relating to Related Party Transactions on its website and a web link shall be provided in the Annual Report.
- 5.5 This Policy will be communicated to all Directors, KMPs, operational employees and other concerned persons of the Company.

6. REVIEW AND AMENDMENT

- 6.1 Though, Audit Committee or Board has all the right to amend this Policy. However, this Policy may stand amended because of any regulatory amendments, clarifications etc in the applicable Laws.
- 6.2 The adequacy of this Policy shall be reviewed and reassessed by the Committee periodically and appropriate recommendations shall be made to the Board to update the Policy based on the changes that may be brought about due to any regulatory amendments or otherwise. The Board shall review this policy at least once every three years and update accordingly.
- 6.3 The compliance of this Policy shall be the responsibility of Compliance Officer who shall have the power to ask for any information or clarifications from the management in this regard.

7. DISCLAIMER

In any circumstances, where the terms of this Policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the newly enacted law, rule, regulation or standard will take precedence over this Policy until such time the Policy is changed to conform to the law, rule, regulation or standard.