

STAR PAPER MILLS LIMITED
(CIN: L210111WB1936PLC008726)
RELATED PARTY TRANSACTIONS - POLICY & PROCEDURES, 2015

1. Preamble

The Company is committed to upholding the highest ethical and legal conduct in fulfilling its responsibilities and recognizes that related party transactions can present a risk of actual or apparent conflicts of interest of the Directors, Senior Management etc. with the interest of the Company.

The Board of Directors (the 'Board') of Star Paper Mills Limited (the 'company') has in place the following policy and procedures in respect of Related Party Transactions (RPT) as defined below pursuant to Section 188 of the Companies Act 2013 and Rules made there under and any subsequent amendments thereto (the "Act") and Clause 49 of the Listing Regulations.

2. Objective

This policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its related party in the best interest of the Company and its Stakeholders. The policy is to ensure transparency and proper disclosure of all related party transactions. The 'Board' may amend this policy from time to time as may be required.

The Audit Committee of the Board of Directors ('Audit Committee'), shall review and approve Related Party Transactions based on this Policy as per requirements under the law.

3. Transactions Covered by this Policy

Transactions covered under the policy includes any contract or arrangement with a related party as defined 'Related Party Transaction' in the Companies Act, 2013, listing regulations or Accounting Standard (AS) -18 from time to time.

Definitions-

- A) "Board" means the Board of Directors of the Company.
- B) "Related Party" - 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.
- C) "Relatives" -Relative means as defined under section 2(77) of the Companies Act, 2013.
- D) "Related Party transactions" - transactions/ contracts/ arrangement between the Company and its related parties which fall under one or more of the following categories:

Section 188 of the Companies Act, 2013:

- (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;

Listing Regulations, 2015:

(h) Transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged. However, a transaction with a related party shall be construed to include single transaction or a group of transactions in a contract.

Accounting Standard 18:

- (i) transfer of research and development
- (ii) license agreements
- (iii) finance (including loans and equity contributions).
- (iv) Guarantees and collaterals
- (v) Management contracts including for deputation of employees.

E) 'Material Related-party transaction' means a transaction with a related party 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.

F) "Transactions on 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.

G) "Key Managerial Personnel" includes (as per Companies Act, 2013)

- (i) the Chief Executive Officer or the Managing Director or the Manager;
- (ii) the Company Secretary;

- (iii) the Whole-time Director;
- (iv) the Chief Financial Officer

H) "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.—"significant influence" means control of at least twenty percent of total share capital, or of business decisions under an agreement.

4. Details required for ascertaining a Related party:

The following details shall be required:

1. Disclosure of interest by all the Directors and KMPs' in form MBP-1.
2. Declaration of relatives by all Directors and KMPs'.
3. Declaration about a firm in which a Director/ Manager or his relative is a partner.
4. Declaration about a private Company in which a Director or Manager is a member or director.
5. Declaration regarding a public company in which a Director or manager is a Director and holds along with the relatives more than 2% of the paid-up share capital.
6. Notices from Directors of any change in particulars of Directorship or in other positions during the year.
7. Details of 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 of the Company.
8. Details of any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in point no. 7 & 8 shall apply to the advice, directions or instructions given in a professional capacity.
9. Details of any Company which is
 - (a) a holding, subsidiary or an associate company of such company; or
 - (b) a subsidiary of a holding company to which it is also a subsidiary.

5. Identification of Related Parties and maintenance of database:

The Responsible Person (CFO/CS) shall at all times maintain a database of Company's Related Parties containing the names of individuals/companies identified.

The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year, as on 1st April every year.

In determining, whether to approve or not a Related Party Transaction, the Board will take into account, among other factors, recommendations of the Audit Committee, whether the Transaction is in the interest of the Company and its stakeholders and there is no actual or potential conflict of interests between the related parties.

6. Review and Approval of Related Party Transactions

1. All Related Party Transactions shall be reported/ referred to the Audit Committee for its prior approval (except transactions between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company). However, 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 may grant the omnibus approval for those Related Party Transactions of the Company which are repetitive in nature provided that the Audit Committee is satisfied about the need for such omnibus approval and further satisfied that such approval is in the interests of the Company .

b. Such transaction is in accordance with the criteria for grant of omnibus approval laid down by the Audit Committee in line with this policy.

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.1 crore per transaction.

d. In view of above and in order to smoothly conduct business, the Committee hereby grants its omnibus approval for related party transactions subject to their value not exceeding Rs. 0.50 crore per transaction. The limit shall be reviewed by the Committee from time to time.

e. The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.

f. Such omnibus approvals except those under point 'd.' shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.

g. Individual transactions with Related Parties, which are not in Ordinary Course of Business and not on an arm's length basis and Material RPTs shall be accompanied with Management's justification for the same. Before approving such transactions, the Committee will look into the interest of the Company and its Stakeholders and accordingly approve or modify such transactions, in accordance with this policy and/or recommend the same to the Board for approval.

2. All RPTs shall be got approved by the Audit committee, Board of Directors and/or the

shareholder as provided in the Companies Act and listing regulations.

3. All Material Related party transactions shall require Shareholders approval by way of Special Resolution and related party shall abstain from voting on such resolution(s). Provided that material related party transaction entered into between a holding Company and its wholly owned subsidiary whose accounts are consolidated and placed before the shareholders at the General Meeting for approval does not require any such approval of the shareholders.

7. Rules applying to Transactions with Related parties which are in Ordinary Course of Business/ on arm's length except Material RPTs_

Transactions with Related parties which are in Ordinary Course of Business of the Company and on arm's length shall be periodically disclosed to the Audit Committee/Board.

Transactions being entered into with the related parties even though being in the ordinary course of business of the company shall satisfy the criteria of arm's length pricing. It shall be the responsibility of the RESPONSIBLE PERSON to ensure that requisite evidence and documentation are made available to the Auditors/Audit Committee/Board, as may be required by them, to demonstrate that the transactions are conducted on arm's length basis.

8. Related Party Transactions not Previously Approved

Where any contract or arrangement is entered into by a director or any other employee of the Company with a related party, without obtaining the consent of the Board or approval by a special resolution in the general meeting, where required and if it is not ratified by the Board or, as the case may be, by the Shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

Particulars of Contracts and arrangements with Related Party covered under this policy requiring shareholders approval shall be appropriately referred to in the Board's Report to the shareholders along with the justification for entering into such contract or arrangement.

9. Exemptions

Under the Companies Act, 2013, the following exemptions are provided with respect to RPTs—

- (i) in the ordinary course of its business; and
- (ii) at arms' length price.
- (iii) sale, purchase, supply of goods or services in any contract or arrangement upto Rs. 5 lacs in aggregate in any year.

Under Clause 49-

- (i) transactions entered into between two government companies;
- (ii) transactions entered into between a holding company and its wholly owned

subsidiaries whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

10. Registers & Disclosures

The Company shall keep and maintain a register, maintained physically or electronically, as may be decided by the Board of Directors, giving separately the particulars of all contracts or arrangements to which this policy applies and such register is placed/taken note of before the meeting of the Board of directors.

Every director or key managerial personnel shall, within a period of thirty days of his appointment, or relinquishment of his office in other Companies, as the case may be, disclose to the Company the particulars relating to his/her concern or interest in the other associations which are required to be included in the register maintained.

The Company shall maintain such register at the registered office of the Company. The register to be kept under this section shall also be produced at the commencement of every Annual General Meeting of the Company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting. The register shall be preserved permanently and shall be kept in the custody of the Company Secretary /Chief Financial Officer of the Company or any other person authorized by the Board for the purpose.

11. Disclosures -

1. Details of all material transactions with related parties are to be disclosed quarterly to the stock exchange along with the compliance report on corporate governance.
2. The Company shall disclose the contract or arrangements entered into with the Related Party in the Board Report to the shareholders along with the justification for entering into such contract or arrangement.
3. The Company shall disclose this policy relating to Related Party Transactions on its website and also in the Annual Report.

12. Amendments

This policy can be modified or repealed at any time by the Board of Directors of the Company. Moreover, nothing contained in this policy shall restrict the Company to act in accordance with the provisions of the law in case of any subsequent amendment in any relevant Act.