

Chembond Material Technologies Limited
(formerly Chembond Chemicals Limited)
Policy on Materiality of Related Party Transactions (RPTs)
and Dealing with RPTs

1. Introduction:

The Companies Act, 2013 ('Companies Act' or 'the Act') and Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 ('Listing Regulations') have laid down extensive requirements to be fulfilled in case of Related Party Transactions. Additionally, the Listing Regulations specifies that the Company is required to formulate a Policy on materiality of related party transactions and also on dealing with Related Party Transactions. Accordingly, this Policy regulates the transactions between the Company and Related Parties.

The Board of Directors of Chembond Material Technologies Limited (the "Company") has adopted the "Policy on Materiality of Related Party Transactions" (or "Policy") pertaining to the transactions to be entered into with related parties. The policy deals with criterion for determining materiality of related party transactions, approvals and reporting of related party transactions and dealings with related party transactions.

Considering the latest amendment in Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) (Third Amendment) Regulations, 2024, this revised Policy has been approved and adopted by the Board of Directors of the Company on 24th January, 2025.

2. Definitions:

- i. **"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. Further, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.
- ii. **"Audit Committee"** means Committee constituted pursuant to Section 177 of the Companies Act, 2013 read with Regulation 18 of the Listing Regulations, including any statutory modification(s) or re-enactment(s) thereof.
- iii. **"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.

- iv. **“Board of Directors”** or **“Board”** means the Board of Directors of the Company, as constituted from time to time.
- v. **“Control”** has the same meaning as defined under Section 2(27) of the Act.
- vi. **“Deemed to be Related Party (ies)”** means any person(s) and entity(ies) defined under Proviso of Regulation 2(1)(zd) of Listing Regulations.
- vii. **“Financial Year”** shall mean the period beginning from 1st April of every year to 31st March of the succeeding year.
- viii. **“Office or place of profit”** means any office or place—
 - a. 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;
 - b. 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 way of remuneration, salary, fee, commission, perquisites, any rent- free accommodation, or otherwise.
- ix. **“Policy”** means this Policy on Related Party Transactions of the Company.
- x. **“Relative” shall mean “relative”** as defined in Section 2(77) of the Act read with Regulation 2(1)(zd) of Listing Regulations.
- xi. **“Related Party/ies”** shall mean a person(s) or an entity(ies) which is a related party under Section 2(76) of the Act read with Regulation 2(1)(zb) of Listing Regulations or a related party under the applicable accounting standards to the Company.
- xii. **“Related Party Transactions”** shall mean transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged whether by way of any contract, arrangement or otherwise
Effective April 1, 2022, related party transaction means a transaction involving a transfer of resources, services or obligations between:
 - (a) 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
 - (b) 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, with effect from April 1, 2023;

regardless of whether a price is charged by way of any contract, arrangement or otherwise:

Provided that the following shall not be related party transaction:

1. 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;
 2. the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - a. payment of dividend;
 - b. subdivision or consolidation of securities;
 - c. issuance of securities by way of a rights issue or a bonus issue; and
 - d. buy-back of securities.
- xiii. A "**transaction**" with a related party shall be construed to include single transaction or a group of transactions in a contract.

3. Material Related Party:

1. A transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.
 - 1A. "Transaction(s)" 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, exceeds 5 (five)% (percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
2. All material Related Party Transactions (RPTs), including subsequent material modifications thereof of the company covered under the Companies Act, 2013 and Regulation 23 of the SEBI Listing Regulations will require prior approval of the audit committee or the Board of Directors or the Shareholders of the Company, as the case may be, subject to such exceptions as are provided therein.

For the above purpose, 'material modifications' as defined by the Audit Committee would refer to the following: Material modification will mean & include any modification to an existing RPT having variance of 20% of the existing limit or Rs.1

crore whichever is higher, as sanctioned by the Audit Committee/ Board/ Shareholders, as the case may be.

Provided further that: - a related party transaction to which the subsidiary of the company is a party, but the company is not a party, shall require prior approval of the audit committee if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the company;

- a. With effect from April 1, 2023, a related party transaction to which the subsidiary of a listed entity is a party, but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

Prior Consent of the Audit Committee/Board and the Shareholders would be taken in respect of all RPTs, including material modifications thereof, **except** in the following cases:

- i. Where the transactions are below the threshold limits specified in the Companies Act, 2013 & Rules thereunder or the SEBI Listing Regulations, as may be applicable;
- ii. Where the transactions are entered into by the company in its ordinary course of business and are on arms' length basis;
- iii. Payments made with respect to brand usage or royalty where the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, do not exceed five percent of the annual consolidated turnover as per the last audited financial statements of the company;
- iv. Where the transactions to be entered into individually or taken together with previous transactions during a financial year do not exceed one thousand crore or ten per cent of the annual consolidated turnover of the company as per the last audited financial statements of the company, whichever is lower;
- v. transactions entered into between two Public Sector companies;
- vi. Transactions entered into between the company & any of its wholly owned subsidiary whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval;
- vii. transactions entered into between two wholly owned subsidiaries of the company, whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.
- viii. 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, provided that the same is not material in terms of the provisions this regulation.

- ix. transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand.
- x. transactions entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand.

4. Review and approval of Related Party Transactions:

A. Audit Committee:

- i) All the transactions which are identified as related party transactions shall be pre-approved by the Audit Committee before entering into such transaction. The Audit Committee shall consider all relevant factors while deliberating the related party transactions for its approval.
- ii) Any member of the Audit Committee who has a potential interest in any related party transaction will rescue himself/herself and abstain from discussion and voting on the approval of the related party transaction. A related party transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length price, would require approval of the Board of Directors or of shareholders, as the case may be.
- iii) A related party transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for ratification.
- iv) Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the Company or its Subsidiary subject to the following conditions, namely-
- v) The Audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions and such approval shall be applicable in respect of transactions which are repetitive in nature;
- vi) the Audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;
- vii) 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. 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.

- viii) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity or its subsidiary pursuant to each of the omnibus approvals given:
- a. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year:
 - b. 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 in terms of this regulation;
 - 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 this regulation;
 - 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."

B. Board of Directors:

In case any related party transactions are referred by the Company to the Board for its approval due to the transaction being

- (i) not in the ordinary course of business, or
- (ii) not at an arm's length price, the Board will consider factors such as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any related party transaction will rescue himself/herself and abstain from discussion and voting on the approval of the related party transaction.

C. Shareholders:

If a related party transaction is

- (i) a material transaction including material modifications thereof, or
- (ii) not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Act and the Rules made thereunder (as amended from time to time), it shall require shareholders' approval by a resolution and no related party shall vote to approve such resolutions whether the Company is a related party to the particular transaction or not.

The requirements of approval specified under this Policy shall not apply in respect of a resolution plan approved under Section 31 of the Insolvency and Bankruptcy Code, 2016 including any statutory modification(s) or re-enactment thereof, subject to the event being disclosed to the recognized stock exchanges within 1 (one) day of the resolution plan being approved. Further if 90 (ninety)% (percent) or more members of the Company, in number, are relatives of promoters or are related parties then that such members who are related party(ies) is/are eligible to entitle to vote on such resolutions whether the Company is a related party to the particular transaction or not.

5. Criteria for approving Related Party Transactions:

The following criteria shall be taken into account, in determining whether to approve, ratify, disapprove or reject a Related Party Transaction and assessing the Related Party transactions:

whether the Related Party Transaction is entered into on terms generally available to an unrelated third-party under the same or similar circumstances;

- i. the terms of such transaction;
- ii. the Related Party's interest in the transaction;
- iii. purpose and timing of the transaction;
- iv. whether the Company is a party to the transaction, and if no, the nature of the Company's participation in the transaction;
- v. if the transaction involves the sale of an asset, a description of the asset, including date acquired and costs basis;
- vi. information concerning potential counter parties in the transaction;
- vii. approximate rupee value of the transaction and approximate rupee value of the Related Party's interest in the transaction;
- viii. whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- ix. any other relevant information regarding the transaction.

6. Prior Board approval for certain transactions - monetary ceiling:

The Company shall not enter into below transactions with related parties unless prior approval of the Board of Directors of the Company is obtained by way of resolution passed at a meeting of the Board of Directors of the Company, which shall be subject to monetary ceilings specified therein:

Sr. no.	Nature of Transaction(s)	Monetary ceiling for RPTs during a FY
1.	Sale, purchase or supply of any goods or materials or services directly or through appointment of agent	amounting to ten percent or more of the turnover of the Company.
2.	Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agent	amounting to ten percent or more of net worth of the Company.
3.	Leasing of property of any kind	amounting to ten percent or more of the turnover of Company.
4.	Availing or rendering of any services, directly or through appointment of agent	amounting to ten percent or more of the turnover of the Company.
5.	Such related party's appointment to any office or place of profit in the Company	at a monthly remuneration two and a half lakh rupees or as per performance assessment by the Company and industry standards
6.	Remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company	exceeding one percent of the net worth of the Company as per the last audited financial statements of the Company
7.	Other related Party Transactions in the normal course of business	Such other transactions with the approval of the Audit Committee and Board of Directors as may be required.

7. Disclosures:

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. The listed entity shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results and publish and upload same the Company's website.

8. Scope and Limitations:

In the event of any conflict between the provisions of this Policy and of the Act or Regulations or any other statutory enactments, rules, the provisions of such Act or Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment /

modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

9. Amendments:

This Policy (including threshold limits) shall be reviewed by the Board of Directors at regular intervals and/or as and when required subject to applicable laws and updated / amended.

The Chairman of Board and Audit Committee of the Company are jointly authorised to make changes to this Policy as they may deem fit and expedient, taking into account the law for the time being in force.

The above policy is subject to review from time to time and at least once in every three years.

Date on which revised Policy placed at Audit Committee/Board Meeting: 24th January, 2025

Modifications effective from 1st January, 2025.
