



CHEMPLAST SANMAR LIMITED

Registered Office: 9. Cathedral Road, Chennai 600 086
CIN: U24230TN1985PLC011637

RELATED PARTY TRANSACTIONS POLICY

Preamble

The Board of Directors of the Company has adopted the following Policy with respect to Related Party Transactions, in compliance with the requirements of the Companies Act 2013 and Rules made thereunder (the Act) and the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 as amended from time to time (SEBI LODR).

Scope of the Policy

This Policy is intended to ensure proper approval and reporting of the concerned transactions between the Company and its Related Parties. This Policy sets out the guidelines and procedures that apply in respect of transactions entered into by the Company with a Related Party.

I. Definitions

“Act” means the Companies Act, 2013 & the rules & regulations notified thereunder as amended from time to time.

“Applicable Law” means the Companies Act, 2013 and the rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any modifications/ re-enactments thereof) (SEBI LODR) and includes any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.

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

“Board” means Board of Directors of the Company.

“Company” means Chemplast Sanmar Limited.

“Omnibus Approval” means a consolidated/standing approval given by the Committee in respect of transaction(s) which are repetitive in nature.

“Ordinary Course of Business” may include the usual transactions, customs and practices of the company, or transactions permitted by the Object Clause in the Memorandum of Association of the Company.

“Policy” means Related Party Transaction Policy.

“Related Party Transaction” means any transaction with a Related Party involving transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged and includes a single transaction or a group of transactions in a contract.

“Transaction” with related party shall be construed to include a single transaction or a group of transactions.

Key Principles

Material Thresholds for Related Party Transactions

In accordance with Regulation 23 of SEBI LODR, the Company has formulated this 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.

Arms’ Length Pricing

The arm’s length principle requires the transaction with a related party to be made at similar terms and price under comparable conditions and circumstances as a transaction with an unrelated party.

Further, at all times, the Company shall endeavor to ensure that all the transactions entered or proposed to be entered into by and between the Company and any of its related parties are always at arms’ length unless specifically approved by the Board of Directors.

Ascertaining and Identification of Related party

1. Every director and KMP shall at the first meeting of the Board in which he/she participates as a director or KMP and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his/her concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall

include the shareholding in **Form MBP-1**. The KMPs shall also provide the list of Relatives who are regarded as Related Party as per this Policy.

The Company Secretary based upon declaration in **Form MBP-1** and such other available information, shall identify all related parties.

The CFO and the Company Secretary of the Company shall be responsible for identifying Related Party(ies) as per applicable Accounting Standards and reporting details of such Related Party(ies).

- II. Each Director and KMP is responsible for disclosing (and periodically updating) particulars of his/her relatives and his/her interest in any other entity either as Director and/or Member and/or Partner etc. Additionally, the Director and KMP shall, from time to time, provide notice to the Board 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.
- III. Every Senior Management Personnel is responsible to disclose to the Audit Committee all material, financial and commercial transactions with Related Parties, where they have personal interest that may have a potential conflict with the interest of the Company at large.
- IV.

Review and approval of Related Party Transactions

By the Audit Committee

- I. Except otherwise provided hereunder, all Related Party Transactions or changes therein must be referred for prior approval by the Audit Committee in accordance with this Policy unless the approval is exempted pursuant to the provisions of applicable law.

Any member of the Audit 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.

- II. The Audit committee shall consider the following factors while deliberating the related party transactions for its approval: -
 - i. Name of party and details explaining nature of relationship;

- ii. Name of the director or KMP, who is related, if any;
 - iii. Nature of transaction and material terms thereof including the value, if any and particulars of contract or arrangement;
 - iv. Business rationale for entering into such transaction and potential benefits therefrom;
 - v. Fair and on arm's length basis
 - vi. Whether the Related Party Transaction would affect the independence of an independent Director;
 - vii. Any potential reputational risk issues that may arise as a result of, or in connection, with the proposed transaction;
 - viii. Whether the Related Party Transaction would present an improper conflict of interest for any Director/KMP of the Company, taking into account the size of the transaction, the benefits arising therefrom to the Company or Related Party, the direct or indirect nature of the director's, KMP'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 deem relevant; and
 - ix. Any other information relevant or important for the Committee to take a decision on the proposed resolution.
- III. Before approving any transaction with related parties, the Audit Committee shall ensure that CFO has certified that the existing/proposed transaction(s) are on arms' length basis and in ordinary course of business and that all the necessary information/documents were available as per the prevailing Company policy.
- IV. The Audit Committee shall not approve any Related Party Transactions which are not at arms' length and shall recommend such transactions, if any, to the Board for appropriate action.
- V. The Audit Committee will undertake an evaluation of the Related Party Transaction. If that evaluation indicates that the Related Party Transaction would require the approval of the Board, or if the Board in any case chooses to review any such matter, the Audit Committee will report the Related Party Transaction, together with a summary of material facts, to the Board for its approval.
- VI. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company which are repetitive in nature subject to compliance of the conditions contained in SEBI LODR and the Act. The Committee shall also satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company. Such approval(s), once granted shall be valid for a period of one year and transactions done under such approval such approval shall be placed before the Committee at quarterly intervals.

- VII. In case the need for Related Party Transaction cannot be foreseen and such details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 Crore per transaction. Such approval shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year.

By the Board of Directors

- i. All Related Party Transactions under Section 188;
- ii. All Related Party Transactions which are not on arms' length and not in the ordinary course of business;
- iii. All such transaction for which the Audit Committee determines that a Related Party Transaction should be brought before the Board; and
- iv. All such transactions which the Board chooses to review or it is mandatory under any law for Board to approve the Related Party Transaction;

The Directors interested shall, in accordance with section 184 of Act, abstain from participation in the discussion.

By the Shareholders

All material Related Party Transactions shall require approval of shareholders as under:

- i. All Related Party Transactions exceeding certain amount as prescribed under the Companies Act, 2013 and rules made thereunder shall require prior approval of shareholders through ordinary resolution.
- ii. All Material Related Party Transactions under the SEBI LODR, shall require approval of shareholders through ordinary resolution.

All the entities falling under the definition of related parties, irrespective of whether the entity is a party to the particular transaction or not, shall abstain from voting to approve the relevant transaction.

Related Party Transactions not approved under this Policy

- i. If prior approval of the Audit Committee / Board for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee and the Board as the case may be, if required, within 3 months of entering in the Related Party Transaction.

- ii. In any case, where either the Audit Committee or Board determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Audit Committee / Board has authority to modify or waive any procedural requirements of this Policy, subject to the applicable laws.
- iii. In cases where a transaction is not ratified by the Committee or Board 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 Committee or Board and if the contract or arrangement is with a Party Related to any director/KMP, or is authorised by any other director/KMP, the director/KMP concerned shall indemnify the Company against any loss incurred by it.

Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.

Transactions Which Do Not Require Approval

Notwithstanding the abovementioned, the following Related Party Transactions shall not entail any approval:

- i. Any transaction that involves providing of compensation to a director or KMP, in accordance with the provisions of the Act 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 expenditures incurred in the ordinary course of business.
- ii. Indemnification and advancement of expenses made pursuant to any agreement or bylaws of the Company
- iii. Any transaction in which the Related Party's interest arises solely from possession of securities issued by the Company and all holders of such securities obtain the same benefits pro rata as the Related Party or other pro rata interest of a Related Party included in a transaction involving generic interest of stakeholders involving one or more Related Parties as well as other parties.
- iv. Any transaction entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval;
- v. CSR Contributions made by the Company through its implementing agencies- be it trust or foundation or any other form of charitable organization, whose name is explicitly mentioned in CSR Policy of the Company irrespective of the fact that such organization is a party related to the Company.

- vi. Transactions that have been approved by the Board or duly authorized sub committees under the specific provisions of the Act, e.g. inter-corporate deposits, borrowings, guarantee, loan, provision for security, investments with or in wholly owned subsidiaries or other Related Parties.
- vii. Payment of Dividend.
- viii. Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off etc approved by the Board and carried out in accordance with the specific provisions of the Act and SEBI Regulations.
- ix. Facilities available or transaction entered into by the Company with all employees in general.
- x. Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder, and does not require prior approval from the Audit Committee.

Reporting & Disclosures

- I. The Company Secretary & CFO shall place the summary of all related party transactions before the Audit Committee during the meetings to be held for consideration/approval of quarterly/half yearly/annual financials.
- II. The Company shall comply with all the reporting and disclosure requirements as may be prescribed from time to time in terms of applicable laws including the Act and SEBI LODR.

DOCUMENTATION AND DATABASE MAINTENANCE

- I. The Company shall maintain a register, physically or electronically, giving separately the particulars of all contracts or arrangements to which this policy applies and such register shall be placed for signing/taken note of before the meeting of the Board of directors.
- II. The Company shall maintain such register at the Corporate Office of the Company and provide extracts from such register to a member of the Company on his request, as per the applicable provisions of the Act.
- III. Such register shall also be produced at the commencement of every Annual General Meeting of the Company and shall remain open and accessible during the continuation of the meeting to any person having the right to attend the meeting.
- IV. Such register shall be preserved permanently and shall be kept in the custody of the Company Secretary.

Policy Review and Amendment

The adequacy of this Policy shall be reviewed and reassessed by the Board of Directors of the Company once in every three years and appropriate recommendations shall be made to the Board to update the Policy accordingly.

Adopted on 29th October 2021 – Version II