

POLICY ON MATERIAL RELATED PARTY TRANSACTIONS

Related Party Transactions Policy

The Board of Directors of Chemspec Chemicals Limited (CCL) has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee will review and may amend this policy from time to time.

Purpose

This policy is intended to provide a framework for seeking the necessary approvals for executing transactions with the related parties, reporting of such related party transactions and demonstrating the arm's length pricing principle for the relevant related party transactions.

Definitions

- 1) "Audit Committee or Committee" means Committee of Board of Directors of the Company constituted under the provisions of the Listing Agreement and Companies Act, 2013.
- 2) "Board" means Board of Directors of the Company.
- 3) "Related Party" means a related party as defined in Regulation 2(1)(zb) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended which is as under:-

An entity shall be considered as related to the Company if:-

- such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- such entity is a related party under the applicable accounting standards.
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Provided that any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company shall be deemed to be a related party.

- 4) "Associate" 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.
- 5) "Arms' Length" means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest (in accordance with the Chemspec Inter-Company Transfer Pricing Guidelines)
- 6) "Significant Influence" means control of at least twenty percent (20%) of the total share capital or of business decisions under an agreement.
- 7) "Key Managerial Personnel or KMPs" means key managerial personnel as defined under the Companies Act, 2013 and includes (i) Managing Director or Chief Executive Officer or Manager and in their absence, a Whole-time Director (ii) Company Secretary; and (iii) Chief Financial Officer

- 8) Control means and include the right to appoint majority of the Directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreement or voting agreements or in any other manner;
- 9) Total Share Capital means aggregate of paid-up equity share capital and convertible preference share capital
- 10) Relative with reference to any person, means anyone who is related to another, if
- i. they are members of a Hindu undivided family;
 - ii. they are husband and wife; or
 - iii. one person is related to the other in the following manner:-
 - Father including step-father
 - Mother including step-mother
 - Son including step-son
 - Son's wife
 - Daughter
 - Daughter's husband
 - Brother including step-brother
 - Sister including step-sister
- 11) Related Party Transaction means transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged and transaction with a related party shall be construed to include single or a group of transactions in a Contract.
- 12) "Holding Company" in relation to one or more Companies means a Company in which Chemspec Chemicals Limited holds more than 50% of the total share capital.
- 13) "Subsidiary Company or Subsidiary" in relation to any other Company means a Company in which the Holding Company:-
 - controls the composition of the Board of Directors or
 - exercises or controls more than one-half of the total share capital either at its own or together with one or more of its Subsidiary Companies.
- 14) Material Related Party Transactions means 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 10% of the annual consolidated turnover as per the last audited financial statements as defined under Regulation 23 of the Listing Regulations and the contracts or arrangements given under Companies Act, 2013. Provided that in case of any amendment to the Act or Listing Regulations, definition of Material transactions will be deemed to be changed without any further approval of Audit Committee or Board. Transaction involving payment made to related party with respect to brand usage or royalty, exceeding 2% of annual consolidated turnover of the Company as per the last audited financial statement, shall also be considered as material RPT under Listing Regulations.

Above definitions are in line with the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.

Identification of Related Party Transactions

All contracts or arrangements with related party with respect to:-

- sale, purchase or supply of any goods or services
- Selling or otherwise disposing of, or buying , property of any kind
- Leasing of property of any kind - availing or renting of any services
- appointment of any agent for purchase or sale of goods, materials, services or property
- such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate Company;
- underwriting the subscription of any securities or derivatives thereof of the Company and
- any other contract or arrangement with Chemspec and Group Company.

Reporting of Related Party Transactions

All Related Party Transactions will be entered into only after obtaining the prior approval of the Audit Committee and the Board of Directors of the Company. The Management represents that the Company shall enter into Related Party Transactions including Intra-Group Financing Transactions in the ordinary course of business and on Arms' Length basis. Chemspec Inter Company Transfer Pricing Guideline to be adhered to. Such transactions must be reported to the Director, General Counsel & Company Secretary for obtaining the prior approval and/or ratification by the Audit Committee of the Company in compliance with this policy.

Audit Committee may grant omnibus approval for transactions with each Related Party entered or proposed to be entered into by the Company subject to following terms and conditions:-

- Existing transactions with related parties which are repetitive in nature and required for continuance of business operations of the Company
- Proposed transactions with related parties to be entered by the Company

Audit Committee shall review, at least on quarterly basis, the details of the Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given along with the utilization of the limits granted.

Such omnibus approval(s) shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

As an abundant caution, all related party transactions may be informed to the Board of Directors on a quarterly basis.

Transactions with Related Party, which are either not in the ordinary course of business or not arms' length and exceed the threshold of Materiality, require approval of Board and also minority shareholders through a special resolution (3/4th majority). Related Party cannot vote in favour of such resolutions.

The Company strongly prefers to receive such notice of any potential Related Party Transaction (not previously considered in the omnibus approval) well in advance so that the Audit Committee / Board has adequate time to obtain and review information about the proposed transaction.

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee 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. Board / Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

Information to be reviewed for approval

The Audit Committee shall review the following information when assessing a Related Party Transaction:-

- Terms of such transaction
- Related Person interest in the transaction and nature of relationship
- Purpose and timing of the transaction
- Whether Company is a party to the transaction and if not, the nature of Company's participation in the transaction
- If the transaction involves the sale of asset, a description of the asset, including date acquired and cost basis
- Value of the transaction along with interest of related party
- Manner of determining the price
- Material terms of the contract, if any
- Duration of the contract, if any

Any other information as deemed fit by the Committee

Ratification of Related Party Transactions by Audit Committee

Related Party Transactions (i.e. whether exceeding the earlier approved limits or repetitive transactions but not earlier approved by the Audit Committee or certain new unexpected transactions which are not prior approved by Audit Committee (and/or Board)) which are proposed to be entered into by the Company between two Audit Committee Meetings due to genuine business exigencies shall be approved by the Chief Financial. They will ensure that such related party transactions are entered into by the Company on arms' length basis. Such Related Party Transactions shall be placed before the members of the Audit Committee (and/or the Board) at the next meeting for their ratification and approval.

Any member of the 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.

Related Party Transactions in ordinary course of business

Following transactions with related parties would be considered to be in the ordinary course of business:

- buying / selling / importing / exporting of chemicals

- Agency, distribution, sub-agency, del-credre agent, commission agent with respect to chemicals
- Rendering of services under Common service platform between related parties
- Loans, guarantees or security between related parties within limits as provided under Companies Act
- Availing treasury related advisory services
- Leasing of immovable property and movable assets
- Buying and selling of assets (including sale to KMPs)
- Sharing costs under a common pool arrangement (Cost sharing agreement)
- Receiving and rendering services (e.g. research, technical, management, consultancy, outsourcing etc.)
- Distributing dividend
- Samples
- Payment of Royalty and technical fees
- Any other transaction as deemed fit by the Audit Committee

Factors to be considered by Audit Committee for approval / ratification of Related Party Transactions

The Audit Committee shall consider the following factors, among others, to the extent relevant to the Related Party Transactions:-

- Whether the terms of the Related Party Transactions are fair to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- Whether the Related Party Transaction would impair the independence of an otherwise independent Director or nominee of Director
- 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 would be detrimental to the Company
- Whether the Related Party Transaction would present an improper conflict of interest for Director or Executive Director of the Company taking into account the size of the transaction, overall financial position and any other factors as the Committee deems relevant.

Modifications

The Board of Directors can modify this Policy from time to time. Modification may be necessary, among other reasons, to maintain compliance with federal, state or local regulations and/or accommodate organizational changes within the Company.