



SUNSHIELD CHEMICALS LIMITED
POLICY ON RELATED PARTY TRANSACTION
Effective From : 1st April 2019
Version : 2 (Two)

RELATED PARTY TRANSACTION POLICY

1. Preamble

The Board of Directors (the “Board”) of Sunshield Chemicals Limited (the “Company”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. This policy aims to regulate transactions between the Company and its Related Parties, based on the laws and regulations applicable to the Company. The Audit Committee will review and recommend to the board revisions in this Policy (*defined below*) from time to time.

2. Purpose

The objective of this Policy is to regulate transactions with related parties and ensure transparency between them. It sets out the manner of dealing with related party transactions based on the laws and regulations applicable to the Company.

3. Definitions

Act means the Companies Act, 2013 and rules made thereunder and include any amendment(s)/ modification(s) thereof.

Arm’s Length Transactions or **ALT** means the transactions carried out between the Related Parties as if they are not related to each other, so that there is no conflict of interest.

Associate Company means any entity which is an associate under sub-section (6) of section 2 of the Act, 2013 or under the applicable accounting standards.

Audit Committee or Committee means Committee of Board of Directors of the Company constituted as per the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Act.

Board means Board of Directors of the Company.

Key Managerial Personnel means any person as defined in Section 2(51) of the Act, as amended from time to time.

Material Related Party Transaction means a transaction with a related party if the transaction / transactions to be 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.

Policy means Related Party Transaction Policy of the Company.

Promoter and **promoter group** shall have the same meaning as assigned to them respectively in clauses (za) and (zb) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Related Party as defined under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, shall mean a related party as defined under sub-section (76) of Section 2 of the Act or under the applicable accounting standards Section 2(76) of the Companies Act, 2013, as referred above, defines Related Party as:

- (i) a director or his relative;
- (ii) a Key Managerial Personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager or his relative is a member or director;
- (v) a public company in which a director and manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- (vi) any body 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;
- (vii) any person under whose advice, directions or instructions a director or manager is accustomed to act;
- (viii) anybody corporate which is holding, subsidiary or an associate company of such company; or a subsidiary of a holding company to which it is also a subsidiary; or an investing company or the venturer of the Company.

Explanation – For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

- (ix) A director other than an Independent Director or Key Managerial Personnel of the holding Company or his relative with reference to a Company.

Related Party Transaction shall mean to include:

a. Transfer of resources, services or obligations between the Company and a related party, 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;

b. contracts or arrangements entered into with related party for:

i. Sale, purchase or supply of any goods or materials;

ii. Selling or otherwise disposing of, or buying, property of any kind;

iii. Leasing of property of any kind;

iv. Availing or rendering of any services;

v. Appointment of any agent for purchase or sale of goods, materials, services or property;

vi. Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and

vii. Underwriting the subscription of any securities or derivatives thereof, of the Company.

Relative means relative as defined under the Act, and includes anyone who is related to another, if:

- They are members of a Hindu undivided family ;
- They are husband and wife ; or
- Father (including step-father)
- Mother (including step-mother)
- Son (including step-son)
- Son's wife
- Daughter (including step-daughter)
- Daughter's husband
- Brother (including step-brother)
- Sister (including step-sister)

4. Terms of Policy

- All the Related Party Transactions proposed to be entered and subsequent modification, if any by the Company shall require prior approval of the Audit Committee including the transactions to be entered in the ordinary course of business. The Audit Committee shall recommend the Related Party Transaction(s) for the approval of Board of Directors/ Shareholders as per the terms of this policy and the applicable provisions/ regulations of the Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 respectively or any amendment(s) / modification (s) thereto.

- The Related Party Transactions entered into in the ordinary course of business and transacted at arms' length shall not require approval of the Board of Directors. All the Material Related Party Transaction, Related Party Transactions as defined under Section 188 (1), exceeding the threshold limits prescribed under sub-rule (3) of Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, and Related Party Transaction which are not in ordinary course of business and not at arm's length basis, shall require prior approval of the Audit Committee, Board of Directors and Shareholders of the Company by way of a resolution.
- The concerned department / executive of the Company entering into a transaction shall identify related party transactions based on the list of Related Parties identified under (a) above, in accordance with Section 177 and 188 of the Act and Regulation 23 of the Listing Regulations. Thereafter the concerned department entering into the transaction shall establish whether the transaction is at arm's length and in the ordinary course of business or whether the transaction is Material.

5. Related Party Transactions that shall not require approval under this policy

The following transactions shall not require separate approval under this policy:

- Any transaction pertaining to appointment and remuneration of Directors and KMPs that has already been approved by the Nomination and Remuneration Committee of the Company or the Board;
- Transactions that have been approved by the Board under the specific provisions of the Act, e.g. inter-corporate deposits, borrowings, investments with Related Parties;
- Payment of Dividend;
- Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off, approved by the Board and carried out in accordance with the specific provisions of the Actor SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; and
- Contribution to Corporate Social Responsibility (CSR), subject to approval of CSR Committee and within the overall limits approved by the Board of Directors of the Company.

6. Procedure

Identification of Potential Related Party Transactions

(a) Each Director, Key Managerial Personnel whenever wishes to enter into a related party transactions with the Company involving either him/her or his/her relative, shall give a notice to the Company along with all relevant details and documents.

(b) Associate, subsidiary company shall be as per the list mentioned in the Audited Financial Statements of the Company. Notice should be given for any new addition to the list by Accounts Departments.

(c) Notice of any related party transactions, referred above shall be given well in advance so that the Company has adequate time to obtain additional information or documents about the proposed related party transactions, if necessary, which is required to be placed before the Audit Committee to enable it to approve the said transactions.

Review and Approval Process of Related Party Transactions by Audit Committee

- Audit Committee shall review all the potential/proposed Related Party Transactions, to ensure that no conflict of interest exists and evaluate it from the perspective of Arms' Length Pricing.
- Any member of the Audit Committee who has an interest in the transaction under discussion shall abstain from voting on the approval of the Related Party Transaction, but may, if so requested by the Chairperson of the Committee, participate in some or all of the Committee's discussions of the Related Party Transaction.
- Audit Committee shall have all the rights to call for information/documents in order to understand the scope of the proposed related party transactions and devise an effective control system for the verification of supporting documents.
- To review a Related Party Transaction, following information of the Related Party Transaction shall be provided:
 - The name of the related party and nature of relationship;
 - The nature and duration of the contract and particulars of the contract or arrangement;
 - The material terms of the contract or an agreement including the value, if any;
 - Any advance paid or received for a contract or arrangement, if any;

- The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as a part of the contract;
- Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with rationale for not considering those factors; and
- Any other information relevant or important for the Audit Committee and/or Board to take decision on proposed transaction.

In determining whether to approve a Related Party Transaction, following factors, among others, to the extent relevant to the Related Party Transaction will be taken into account:

- Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and on arms' length basis;
- Whether the Related Party Transaction would affect the independence of an independent director; and
- Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company and any other factors the Board/Committee deems relevant.

Omnibus Approval

The Audit Committee may grant omnibus approval, pertaining to the transactions in the ordinary course of business, transactions for support service/ sharing of services with Associates / Companies forming part of the Promoter Group, Sub Lease of Office Premises or Office Sharing arrangement with Associate / Companies forming part of the Promoter Group, or any other transactions or arrangements as it may deem appropriate, being proposed to be entered into on an arm's length basis, subject to the following conditions.

(a) The Audit Committee shall grant omnibus approval in line with this policy and such approval shall be applicable in respect of transactions which are repetitive in nature

(b) The Audit Committee shall satisfy itself 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, (iii) such other conditions as the Audit Committee may deem fit; and (iv) justification for the need of omnibus approval.

(d) 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.

(e) Audit Committee shall review, at least 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 shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Any member of the Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

Review and Approval Process of Related Party Transactions by Board of Directors

- In case the Audit Committee determines that the Related Party Transaction requires the approval of the Board of Directors or Shareholders as per the terms of this policy and applicable regulatory provisions then it shall refer the said Related Party Transaction to the Board of Directors for its approval along with all the relevant information/ documents pertaining to the same.
- The Board shall review the Related Party Transaction and recommendations of the Audit Committee, if any, and shall have the authority to call for such additional information as it may deem appropriate and may approve with or without modification(s) or reject the proposed related party transaction as per the terms of this policy and other applicable regulatory provisions.
- In case, the Board determines that the Related Party Transaction requires approval of the shareholders as per the terms of this policy and applicable regulatory provisions then it shall refer the said Related Party Transaction to the shareholders for its approval along with all the relevant information/ documents pertaining to the same, as per the appropriate regulatory provisions.

- Approval of the Audit Committee /Board of Directors shall be required in case of any subsequent amendment/modification/renewal, in the terms of the earlier approved Related Party Transaction, as the case may be.
- The transactions to be presented to Audit Committee should be in Format given in Annexure I of this policy.

7. Materiality Policy / thresholds

- 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.
- A transaction with a related party shall be considered material if the transactions to be entered individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.
- 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, exceeds 2% of the annual consolidated turnover of the Company as per the last audited financial statements.

8. Related Party Transactions not approved/ requiring the approval under this Policy / Ratification

- Where any contract or arrangement is entered into, without obtaining the consent of the Audit Committee, Board or approval by Shareholders' Resolution in the General Meeting 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.
- Notwithstanding anything contained in this Policy, if there is an exemption available to the Company with respect to Related Party Transaction(s), either under the Act, or the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, including in Regulation 15 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, such exemption shall be deemed to be incorporated in this Policy,

by virtue of this reference, and the process to be followed by the Company shall be determined after considering the applicability of such exemption(s).

9. Disclosures

- Each Director, Key Managerial Personnel, and the Promoters shall be required to disclose to the Audit Committee any potential Related Party Transaction(s) proposed to be entered into by them or their relatives.
- The Company shall disclose, in the Board's report, transactions prescribed under Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length along with the justification or entering into such transaction(s).
- In addition, the Company shall also provide details of all related party transactions exceeding the materiality threshold (laid down above in Clause 7 of the Policy above) on a quarterly basis to the stock exchanges.
- The Related Party Transaction entered into with the related party/ies shall be disclosed in the Director's Report / Annual Report as per the disclosure requirement(s) of the Act and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- Material Transactions exceeding the threshold limits as prescribed under sub-rule (3) of Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, as amended, shall be disclosed under "Details of material contracts or arrangements or transactions at arms' length" in Form no. AOC-2, as a part of the Directors' Report, as prescribed under the Act. Annual disclosure with Promoter or Promoter Group exceeding 10% shareholding even if it is not a related party, in the Annual Report.
- Quarterly/periodical updates shall be provided to the Audit Committee members on the related party transactions entered by the Company.
- The Company shall disclose the policy on its website and a web-link thereto shall be provided in the Annual Report of the Company.
- This Policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly based on the recommendations of the Audit Committee.

10. Parameters for Arm's Length Transactions:

The parameters for arm's length transactions will be assessed based on any one or more of the following criteria:

- (a) Market price if readily available and if a market exists for the same;
- (b) Price charged by the respective company forming part of the Promoter Group to unrelated parties or related parties;
- (c) Independent valuations undertaken by an empaneled set of Independent Valuers;
- (d) Obtaining two or three quotes from unrelated parties for similar transactions, subject to availability; and
- (e) Regulatory and other obligations including compliance and transfer pricing norms as required under the Provisions of Income Tax Act, 1961.

11. Parameters for Ordinary Course of Business ("OCB")

The Act has not provided definition of this term. However, the following parameters should be considered as an OCB:

- (a) Business mentioned / defined in Memorandum of Association (MOA);
- (b) Business practice of the Company precedent with a pattern of frequency;
- (c) Regulatory obligations;
- (d) Contractual obligations of the Company;
- (e) Frequency of the transaction undertaken and its purpose;
- (f) Ensuring business confidentiality and continuity of inter-dependent business of the Group;
- (g) Transactions necessary for continuation of business uninterruptedly;
- (h) Ensuring business confidentiality and continuity of inter-dependent businesses of the Promoter Group;

(i) Meets any other parameter/s laid down by the Board/Audit Committee; and/ or

(j) All types of payments, services availed and/or rendered to Related Parties for a period preceding two years.

12. Other Transactions with Group Companies :

Other Transactions with companies forming part of the Promoter Group are/may be as follows:

- (a) Lending to and Borrowing from Related Parties;
- (b) Acquisition of investments from Related Parties;
- (c) Divestments; and
- (d) Availing Corporate Guarantees from Related Parties.

13. Related Party Transactions with Directors, Key Managerial Personnel and their Relatives:

The Company enters / may enter into Related Party Transactions with its Directors and Key Managerial Personnel. Such transactions, including the following are considered in the OCB:

- (a) Hiring residential premises from Related Parties for providing accommodation to the directors and other Key Managerial Personnel of the Company;
- (b) Hiring residential premises from Related Parties for use as a guesthouse by the Company; and
- (c) Purchase and sale of fixed assets from/to the directors and other Key Managerial Personnel of the Company and their respective relatives.

Annexure I
Transaction Approval Form

Indicative Transaction	Material Terms of Transaction	Basis for Arm's Length Price	Basis for Ordinary Course of Business	Supporting Documents	Remarks
Debt Syndication					
Lending/ Term Loans/ ICD/ revolving line of credit					
Reimbursement					
IT related services					
Depository services					
Training expenses					
Deputation Cost					
Brand Fee					
Rent					