



SUNSHIELD CHEMICALS LIMITED
POLICY ON RELATED PARTY TRANSACTION
Version : 3 (Three)

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 Companies Act, 2013 and Rules framed thereunder, including any modifications, clarifications, circulars or re-enactments thereof.

“**Applicable Law**” includes (a) the Act and the rules made thereunder; (b) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions and amendments made thereto.

“**Audit Committee or Committee**” means the committee of the Board constituted from time to time under the provisions of Regulation 18 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 177 of the Companies Act, 2013.

“**Board**” means the Board of Directors of the Company as defined under the Companies Act, 2013.

“**Company**” means Sunshield Chemicals Limited.

“**Independent Director**” means an independent director referred to in Section 149(6) of the Act and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

“**Listing Regulations**” means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

“**Compliance Officer**” means the Company Secretary and Chief Financial Officer of the Company or such other officer as identified by the Board for the purpose of compliance of Listing Regulations.

“**Key Managerial Personnel**” means Key Managerial Personnel as defined under Section 2(51) of the Companies Act, 2013.

“Material Related Party Transactions”

- A. Under the Act** it means any transaction by the Company with related parties as defined under Section 2 (76) of the Act of following nature, that are either not in the ordinary course of business or not on an arm’s length basis:
- a. sale, purchase or supply of any goods or materials, directly or through appointment of agent, amounting to 10% or more of the turnover of the Company.
 - b. selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agent, amounting to 10% or more of the net worth of the Company.
 - c. leasing of property of any kind amounting to 10% or more of the turnover of the Company.
availing or rendering of any services directly or through appointment of agent, amounting to 10% or more of the turnover of the Company.
 - d. such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company at a monthly remuneration exceeding Rs. 2,50,000; and
 - e. remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company exceeding 1% of the net worth.

Explanation – (1) The turnover or net worth referred above shall be computed on the basis of the audited financial statement of the preceding financial year.

(2) Limits specified in sub-clause (a) to (d) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

B. Under Listing Regulations” means:

- a. the transaction with a related party if the transaction to be entered into individually or taken together with the previous transactions during a financial year, exceeds rupees 1000 crore or 10 (ten) percent of the standalone annual turnover of the Company as per the last audited financial statements of the Company, whichever is lower, or such other threshold as may be laid down from time to time by Applicable Law; or
- b. Notwithstanding to the above, a transaction involving payments made to a related party with respect to brand usage or royalty, value whereof taken individually or taken together with previous transactions during a financial year, exceed 5 (five) percent of the annual turnover of the Company as per the last audited financial statements of the Company or such other threshold as may be laid down from time to time by Applicable Law.

“Relative(s)” shall have the same meaning as assigned to it under Section 2 (77) of the Act and the rules made thereunder.

“Related Party” means a related party as defined the Act read with Regulation 23 of Listing Regulations and Indian Accounting Standards, as amended from time to time;

Provided that:

- a. Any person or entity forming a part of promoter or promoter group of the Company; or
- b. Any person or entity, holding Equity Shares:

- i. of twenty per cent or more; or
- ii. of ten per cent or more, with effect from April 01, 2023.
in the Company either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.

“Related Party Transaction”

A. in accordance with Listing Regulation means:

any transaction involving a transfer of resources, services or obligations between:

- the 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
- the 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 and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract:

Provided that the following shall not be a related party transaction:

- (a) 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;
- (b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - payment of dividend.
 - subdivision or consolidation of securities.
 - issuance of securities by way of a rights issue or a bonus issue; and
 - buy-back of securities.

B. In accordance with the Act means:

- i. Sale, purchase or supply of any goods or material;
- 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 service.
- 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 associated company.
- vii. Underwriting the subscription of any securities or derivatives thereof, of the Company.

“Subsidiary” shall mean a subsidiary as defined under the Act.

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

“Material modification will means and include any modification to an existing Related Party Transaction having variance of 25% in value of the transaction already approved by the Audit Committee or the Shareholders, as the case may be.

Any other term not defined herein shall have the same meaning as defined in the Act, the Listing Regulations including amendments thereof, Indian Accounting Standards (IND AS); and or any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions

4. Terms of Policy

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.

Procedures for review and approval of Related Party Transactions by Audit Committee

- All 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. Provided that only those members of the audit Committee, who are independent directors, shall approve related party transactions. 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.
- 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

- For the ease of carrying out transactions/ contracts/ arrangements that are foreseeable and repetitive, the Audit Committee may grant omnibus approval, based on criteria prescribed under the Applicable Law, to such transactions which are in ordinary course of business at arms-length basis and transactions of the routine nature (except Material Related Party Transactions under the Applicable Law and subsequent material modification as defined by audit committee under this policy.). Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the business interest of the Company.
- Omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- 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.

- The approval of the Audit Committee will be required for all Related Parties Transactions for which no omnibus approval has been accorded. Where the Audit Committee has granted omnibus approval for certain transactions, the transactions will be put for review before the Audit Committee quarterly in every financial year.
- Omnibus approvals shall be granted based on the following criteria:
 - Frequency of the transactions;
 - Volumes of transactions undertaken with such Related Party. The maximum value of the transactions, per transaction or in aggregate, per related party, shall not exceed 10% of annual consolidated turnover of the Company.
 - the indicative base price or current contracted price and the formula for variation in the price;
 - Where the Audit Committee is not convinced on the need for granting omnibus approvals, the Audit Committee may reject the proposal placed before it with reasonable explanation for the same.
- In cases where the need for Related Party Transaction cannot be foreseen and details as required are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 Crore per 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 agenda of the Board Meeting at which the resolution is proposed to be moved shall disclose- (a) the name of the related party and nature of relationship (b) the nature, duration of the contract and particulars of the contract or arrangement (c) the material terms of the contract or arrangement including value, if any (d) any advance paid or received for the contract or arrangement, if any (e) the manner of determining the pricing and other commercial term (g) any other information relevant or important for the Board to take decision on the proposed transaction; and (h) such other information as may be required under the Applicable Law
- 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.
- In the event the Company becomes aware of a transaction with a related party that has not been approved prior to its commencement, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction.

5. Procedures for review and approval of Material Related Party Transactions

All material related party transactions and subsequent material modifications as defined by the audit committee shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

6. 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).

7. 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:

- Contracts/ arrangements are entered into with Related Parties, are at such prices/ discounts/ premiums and on such terms which are offered to unrelated parties of similar category/ profile.
- The contracts/ arrangements have been commercially negotiated.
- The terms of contract/arrangement other than pricing are generally on a basis similar to those as may be applicable for similar category of goods and services or similar category/ profile of counterparties.
- Regulatory and other obligations including compliance and transfer pricing norms as required under the Provisions of Income Tax Act, 1961.

8. Parameters for Ordinary Course of Business (“OCB”)

The Act has not provided definition of this term. A transaction shall deemed to be “In the Ordinary Course of Business” if any of the following conditions are met:

- Transaction undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, conveying or accepting leases, transfer of any resources, hiring of any executives or other staff, providing/ giving of guarantees or collaterals or loans or any other financial assistance, is in the normal routine in managing trade or business. or;
- The transaction is in the nature of reimbursements, received or provided, from or to any related party, whether with or without any mark-up towards overheads, and is considered to be congenial for collective procurement or use of any facilities, resources, assets or services and subsequent allocation of the costs or revenues thereof to such related party in an appropriate manner; AND
- The transaction is not an exceptional or extra ordinary activity as per applicable accounting standards or financial reporting requirements, pertaining to any sale or disposal or any undertaking of the Company, as defined in explanation (i) to clause (a) of sub-section (1) of section 180 of Companies Act, 2013.

In order to decide whether or not a contract or arrangement is being entered by the Company is in its ordinary course, the Company shall consider whether such contract/ arrangement is germane to attainment of the main objects as set out in its Memorandum of Association

The Company should take into account the frequency of the transaction contemplated under the proposed contract or arrangement and its continuity carried out in a normal organized manner for determining what is in the ordinary course business and whether the Company intends to carry out similar transactions in the future.

These are not exhaustive criteria, and the Audit Committee may assess transactions, considering its specific nature and circumstances.

9. Disclosures

The Company shall upload this Policy on its website i.e., www.sunshieldchemicals.com and a web link of the same will be provided in the Annual Report. Disclosures regarding Material Related Party Transactions, if any, shall be disclosed to the stock exchanges quarterly along with the Company's Compliance Report on Corporate Governance, in accordance with the Listing Regulations.

The Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time and publish the same on its website in accordance with the Listing Regulations.

The Company shall also make relevant disclosures in its Annual Report and maintain such registers as required in accordance with the Applicable Laws.

AMENDMENTS

The Board of Directors may subject to the applicable laws amend any provisions(s) or substitute any of the provisions(s) with the new provision(s) or replace the policy entirely with a new policy. The Policy is subject to review from time to time.

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