NATIONAL PEROXIDE LIMITED

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS

(Amended on 10th August, 2022)

1. OBJECTIVE OF THE POLICY

Related Party Transactions ("RPTs") can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Related party transactions are governed by the Companies Act, 2013 ("Act") read with the Rules framed there under, applicable accounting standards and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), as amended from time to time.

The Policy is intended to ensure timely identification of an RPT, its salient terms and conditions, detail the approval process, outline the disclosure and reporting requirements thereof and to ensure transparency in the conduct of RPT's, so that there is no conflict of interest.

Further, as required under the Listing Regulations, the Company has framed the Policy on materiality of Related Party Transactions, including any subsequent material modifications thereof, and on dealing with Related Party Transactions ("Policy") including specifying the clear threshold limits.

This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee.

2. TERMS AND REFERENCES

Terms referred to in this Policy shall have the same meaning as defined in the Act and Listing Regulations respectively as amended by any statutory modifications or re-enactment thereto from time to time, as the case may be.

3. MATERIALITY OF RELATED PARTY TRANSACTIONS

The Company shall formulate a policy on materiality of related party transactions and on dealing with related party transactions including the threshold limits duly approved by the board of directors.

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.

Notwithstanding the above, 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, exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

"Material Modification" shall mean:

I. any modification in the value of a transaction which has an effect of varying the value of a transaction as originally approved by 25% or more; and/or

II. any change in the essential terms and conditions of the transactions, as approved by the Audit Committee / Shareholders as the case may be and as elaborated in **Annexure – B**.

4. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

a) Identification of related parties

Company shall identify Related Parties as per the definition provided in the applicable laws and regulations, including the Act and the Listing Regulations, as amended from time to time.

b) Identification of related party transactions

The Company will identify transactions falling under contracts and arrangements, as per the applicable laws, entered into with related parties for the consent of the Audit Committee, Board of Directors and shareholders, as may be applicable.

c) Procedure for approval of Related Party transactions

The Audit Committee, Board and shareholders, as the case may be shall be provided with all relevant information of RPTs such as rational for entering into transactions, terms & conditions, the business purpose of the transactions, the benefits to the Company and Related Party and such other information as may be prescribed under applicable laws.

- **Approval of the Audit Committee**

All related party transactions and any subsequent material modifications thereof, shall require the prior approval of the Audit Committee of the Board. However, the Company may obtain omnibus approval from the Audit Committee for related party transactions proposed to be entered into by the Company subject to and in the compliance with the Act and Rules made thereunder and Listing Regulations and any statutory modifications or re-enactment thereof.

Only those members of the audit committee, who are independent directors, shall approve related party transactions.

Provided that:

(a) a related party transaction to which the subsidiary of a Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company 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;

(b) with effect from April 1, 2023, 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 of the Company 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;

(c) prior approval of the audit committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of Listing Regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (c) above, the prior approval of the audit committee of the listed subsidiary shall suffice.

- **Approval of Board of Directors**

  As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section which are not in the ordinary course of business and not at arm's length basis, are placed before the Board for its approval after prior approval is accorded by the Audit Committee.

  Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

- **Approval of shareholders**

  All the transactions with related parties meeting the materiality thresholds, and any subsequent material modifications thereto laid down in Clause 3 of the Policy, are required to be placed before the shareholders for prior approval subject to and in accordance with the relevant provisions of the applicable laws including the Act and Listing Regulations and all entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

  The prior approval of the shareholders of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of Listing Regulations are applicable to such listed subsidiary.

  Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

  Provided further that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

  In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business or are not at arm's length basis;

and (b) exceed the thresholds as mentioned in **Annexure – A** of this policy and laid down in the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, are placed before the shareholders for its approval.

Requirement for seeking shareholders' approval shall not be applicable to transactions between the Company and its wholly owned subsidiary, if any, whose accounts are consolidated with the company.

Further shareholders' approval shall also not be applicable to transactions entered into between two wholly owned subsidiaries of the Company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

5. DISCLOSURES BY THE COMPANY

(a) The particulars of contracts or arrangement with Related Parties will be disclosed in the Register of Contracts or Arrangements in which directors are interested, refer Rule 16 of the Companies (Meetings of the Board and its Powers) Rules, 2014 and in the Directors' report in Form AOC-2, in the manner prescribed in the Companies Act, 2013 and the Rules thereunder.

(b) The Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the SEBI from time to time and publish the same on Company's website.

Provided further that the Company shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results.

Provided further that the Company shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.

6. AMENDMENT OF THIS POLICY

This policy shall be reviewed by the Audit Committee and the Board of Directors at least once every three years or as and when required and update the same accordingly. This policy is effective from 10th August 2022.

Annexure – A

Threshold Limits as laid down in the Companies (Meetings of Board and its Powers) Rules, 2014

Sr. No.	Transaction	Threshold Limits
1.	Sale, purchase or supply of any goods or material, 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 the 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.	Appointment to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration up to two and a half lakh rupees
6.	Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company	One percent of the net worth

Note: It is hereby clarified that the limits specified above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

Annexure - B

Change in the essential terms and conditions of a contract / transaction would mean any of the following:

- The terms of the contract cease to be on an arms' length basis;
- Granting of any waiver, abatement or any other relief to either party, which results into a financial implication equal to 25% or more of the value of the contract;
- Any novation of the contract or arrangement to a third party.
- Any other modification considered to be material by the Audit Committee.