

MATERIALITY POLICY FOR IDENTIFICATION OF GROUP COMPANIES MATERIAL LITIGATION AND OUTSTANDING CREDITORS

Introduction:

This materiality policy ("**Policy**") has been specifically formulated to define 'materiality' concerning the identification of group companies, litigations, and outstanding dues to creditors in relation to Chembond Chemicals Limited (*formerly Chembond Chemical Specialties Limited*) ("**Company**") for disclosing relevant information in the Information Memorandum ("**Offer Document**") in accordance with the requirements outlined in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (as amended from time to time) ("**SEBI ICDR Regulations**") at the time of listing its New Equity Shares on the Stock Exchanges (issued under the Scheme).

A. Materiality policy for Identification of Group Companies:

In terms of the SEBI ICDR Regulations, the term 'group companies' includes (i) such companies (other than promoters and subsidiaries) with which the relevant issuer company had related party transactions during the period for which financial information is disclosed in the relevant Offer Document, as covered under the applicable accounting standards, and (ii) any other companies as considered material by the Board of Directors.

Accordingly, for (i) above, all such companies (other than promoters and subsidiaries) with which there were party transactions related during the period covered in the financial information, as covered under the applicable accounting standards, shall be considered as group companies of the Company in terms of the SEBI ICDR Regulations.

In addition, for the purposes of (ii) above, Chembond Chemicals Limited shall be considered "material" and will be disclosed as a 'Group Company' in the Offer Document.

Information about Group Companies identified based on the above approach shall be disclosed in the Offer Document in accordance with SEBI ICDR Regulations.

B. Materiality policy for litigation

In terms of SEBI ICDR Regulations, the Company is required to disclose the following pending litigation involving itself, its subsidiaries, its directors and its promoters: (i) All criminal proceedings (including any notices received for such criminal proceedings); (ii) All actions by statutory and / or regulatory authorities; (iii) Taxation proceedings: Disclosures regarding claims related to direct and indirect taxes, in a consolidated manner, giving details of number of cases and total amount; and (iv) *Other pending litigations/ arbitration proceedings*: As per the policy of materiality defined by the Board of Directors and disclosed in the Offer Document.

Additionally, in terms of the SEBI ICDR Regulations, the Company is required to disclose: (a) any disciplinary action (including a penalty) imposed by SEBI or any of the stock exchanges against any of the promoters of the Company in the five financial years preceding the relevant Offer Document, including any outstanding action; and (b) outstanding litigation involving the group companies of the Company (if any), the outcome of which may have a material impact on the Company, as applicable.

For the purposes of determining material litigations /arbitration proceedings as mentioned in point (iv) above, the following criteria shall apply:

Any pending litigation / arbitration proceedings (other than litigations mentioned in points (i) to (iii) above) involving the Company, its subsidiaries, its promoters or its directors shall be considered "material" for the purposes of disclosure in the Offer Document, if:

- (i) The aggregate monetary claim made by or against the Company, its subsidiaries, its promoters and / or its directors, (individually or in the aggregate), in any such pending litigation / arbitration proceeding is equal to or in excess of 2% of the Company's consolidated profit after tax, in the most recently completed fiscal year as per the Restated Consolidated Financial Information
- (ii) Any such litigation wherein a monetary liability is not quantifiable, or which does not fulfil the threshold as specified in (i) above, but the outcome of which could, nonetheless, directly or indirectly, have a material adverse effect on the business, operations, performance, prospects, financial position or reputation of the Company; or
- (iii) Litigations where the decision in one litigation is likely to affect the decision in similar litigations, even though the amount involved in an individual litigation may not exceed 2% of the Company's consolidated profit after tax, in the most recently completed fiscal year as per the Restated Consolidated Financial Information, included in such Offer Document.

Further, pre-litigation notices received by the Company, its subsidiaries, its promoters, its directors or a group company (**collectively the "Relevant Parties"**) from third parties (excluding those notices issued by statutory / regulatory/ tax authorities or notices threatening criminal action) shall, unless otherwise decided by the Board of Directors, not be considered a material litigation until such time that the Relevant Party is impleaded as a defendant in proceedings before any judicial / arbitral forum.

Disclosure of details of all the criminal matters initiated by or against the Company, its group companies, its subsidiaries, its directors, its promoters which are at the FIR stage and some cognizance has been taken by the court.

C. Materiality policy for identification of material creditors

In terms of SEBI ICDR Regulations, the Company shall make the following disclosures in the Offer Document for outstanding dues to creditors: (i) based on the policy on materiality adopted by the Board of Directors and as disclosed in the Offer Document, details of the Company's creditors, including the consolidated number of creditors and the aggregate amount involved; (ii) consolidated information on outstanding dues to micro, small and medium enterprises and other creditors, separately giving details of number of cases and amount involved; and (iii) Complete details about outstanding over dues to material creditors along with the name and amount involved for each such material creditor shall be disclosed on the website of the Company with the web link thereto included in the Offer Document.

For the purposes of identification of material creditors, in terms of point (i) above, a creditor of the Company, shall be considered to be material for the purpose of disclosure in the Offer Document, if amounts due to such creditor is equal to or in excess of 5% of the consolidated trade payables of the Company as at the end of the latest period included in the financial information disclosed in the Offer Document.

D. General:

It is clarified that the Policy is solely from the perspective of disclosure requirements prescribed under the SEBI ICDR Regulations with respect to the Offer Document and should not be applied towards any other purpose including for disclosure of material information by listed entities pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

The Policy shall be without prejudice to any disclosure requirements, which may be prescribed by SEBI and/ or such other regulatory or statutory authority with respect to listed companies or disclosure requirements as may be prescribed by SEBI through its observations on the Offer Document, or disclosures that may arise from any investor or other complaints.

The Policy shall be subject to review/changes as may be deemed necessary and in accordance with regulatory amendments from time to time.

All other capitalized terms not specifically defined in this Policy shall have the same meanings ascribed to such terms in the Offer Document.
