



**POLICY ON DEALING WITH
RELATED PARTY
TRANSACTIONS**

1. Preface

Policy Title	Policy on dealing with Related Party Transactions
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This policy is intended to ensure proper approval and reporting of transactions between the Company and any of its related parties. This policy shall apply to all transactions entered into by the company with its related parties as per the applicable laws and regulations including the Companies Act, 2013 and the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended (“**LODR Regulations 2015**”). The policy sets forth the nature of related party transactions, approvals and disclosure requirements. The Board of Directors of the Company may amend this policy from time to time.

Definitions

“**Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted under provisions of the Companies Act, 2013 and LODR Regulations 2015.

“**Arm’s Length Transaction**” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest

“**Board**” means Board of Directors of the Company

“**Control**” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

“**Key Managerial Personnel**” means key managerial personnel as defined under the Companies Act, 2013 and the Indian Accounting Standards (**Ind AS**), as the case may be, and includes:

- (i) the Chief Executive Officer or the managing director or the manager;
- (ii) the whole time director;
- (iii) the Company Secretary;
- (iv) the Chief Financial Officer; and
- (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board;

“Material Related Party Transaction” means a transaction with a related party if the transaction(s) 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.

However, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered as a Material Related Party Transaction, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“Ordinary course of business” means a usual transaction if it is entered into in relation to provision of goods or services in which the Company regularly deals or where the transaction is in respect of goods or services in which the counter party normally deals and the Company repeatedly enters into such transactions for the purpose of its business or the transaction is necessary, normal and incidental to business. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines

“Policy” means this Related Party Transaction Policy.

“Related Party” means related party as defined under the Companies Act 2013 read with the Rules made thereunder and under the LODR Regulations 2015, which is presently as follows:

Section 2(76) of the Companies Act, 2013 read with Rule 3 of the Companies(Specification of definitions details) Rules, 2014, as amended

“Related party”, with reference to a company, means

- (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 or 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) Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (ix) any body corporate which is –
 - a. a holding, subsidiary or an associate company of such company;
 - b. a subsidiary of a holding company to which it is also a subsidiary; or
 - c. an investing company or the venture of the company (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)
- (x) Director, other than an independent director, or key managerial personnel of the holding company or his relative with reference to a company.

LODR Regulations 2015

An entity shall be considered as related to the company if:

- (i) such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) such entity is a related party under the applicable accounting standards.

Any person or entity belonging to the promoter or promoter group of listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.

“Related Party Transaction” means a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged and includes:

- a. sale, purchase or supply of any goods or materials;
- b. selling or otherwise disposing of, or buying, property of any kind;
- c. leasing of property of any kind;
- d. availing or rendering of any services;
- e. appointment of any agent for purchase or sale of goods, materials, services or property;
- f. such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- g. underwriting the subscription of any securities or derivatives thereof, of the company

Note: A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

“Relative” means relative as defined under the Companies Act, 2013 read with Rule 4 of the Companies (Specification of definitions details) Rules, 2014, as amended and includes anyone who is related to another, if –

- i. They are members of a Hindu undivided family;
- ii. They are husband and wife; or
- iii. Father (including step-father)
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son's wife
- vii. Daughter
- viii. Daughter's husband
- ix. Brother (including step-brother)
- x. Sister (including step-sister)

Requirements of the respective regulations:**Companies Act 2013 (Act):**

As per Section 188 of the Act read with the rules made thereunder, all related party transactions requires prior approval of the Board or shareholders' approval, if it exceeds the limits prescribed for the specified transaction, except transactions which are in the ordinary course of business and on arm's length basis.

Section 177(4)(iv) of the Act, requires Audit Committee to approve transactions or any subsequent modification thereof of the company with the related parties.

LODR Regulations 2015

As per Regulation 23 of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, the requirements for related party transactions are:

- Formulation of a policy for all material transactions which shall include clear threshold limits duly approved by the Board
- Formulation of a policy for the treatment of related party transactions
- All related party transactions shall require prior approval of the Audit Committee. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to compliance with conditions as prescribed.
- All material related party transactions are required to be approved by shareholders through a resolution and no related party shall vote to approve on such resolution irrespective of whether the entity is a related party to the particular transaction or not
- The provisions of this regulation shall be applicable to all prospective transactions.
- For the purpose of this Regulation, material transactions means a transaction with a related party if the transaction(s) 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. However, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered as a material related party transaction, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

Transactions covered under LODR Regulation 2015 are:

- Transfer of resources
- Transfer of services
- Transfer of obligations

Policy on Related Party Transactions

Identification of Related Parties

Before the start of each financial year, the Company shall identify a list of ‘related parties’ in accordance with the definition given in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 containing the names of individuals and entities. The identification would be carried out based on the disclosures by Directors / Key Managerial Personnel of the Company and by review the Group structure including holding, subsidiaries, associate and Joint Ventures of the Company.

The list of related parties shall be reviewed quarterly jointly by the Financial Controller and Company Secretary. Any changes in the list during the financial year shall be made as and when the Company receives information in this regard from the Directors, Key Managerial Personnel and change in the Group structure

Each director and Key Managerial Personnel of the Company is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him/her or his/her relative, including any additional information about the transaction that the Board or Audit Committee may request.

Identification of Related Party Transactions

The Company would collate list of related party transactions as follows:

- Continuing RPTs as per the disclosure made in Company’s financial statements.
- Transactions which are likely to be entered into with each related party and estimated value of such transactions before the beginning of each financial year to obtain necessary approvals in accordance with this Policy.

Any member of the Audit Committee or Board who is directly or indirectly interested in any Related Party Transaction shall recuse himself and abstain from participating in the discussion and voting for such item under consideration by Audit Committee and Board, as the case may be.

Approval of the Related Party Transactions

Prior Approval of the Audit Committee

- All Transactions entered with Related parties shall be done after prior approval of Audit Committee. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to compliance with following conditions:
 - a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company 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 and
- (iii) such other conditions as the Audit Committee may deem fit;

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.

- d. 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.
 - e. Such omnibus approvals shall be valid for a period not exceeding 1 year and shall require fresh approvals after the expiry of one year
- All Transactions proposed to be entered into by the Company with Related parties will be put up for approval of Audit Committee on regular basis. (Section 177 4 (iv) of Companies Act).
 - The management proposal for the related party transaction will include all material particulars of the proposed transaction and a detailed analysis and justification/rationale for entering into a related party transaction as compared to a transaction with a non-related party.
 - The proposal will also state whether the transaction is of a routine nature or a one-off transaction.
 - In each case, the management proposal will include analysis as to whether the transaction price is at an arm's length. The proposal may be supported by any third party evaluation or certification in that behalf.

Prior Approval of the Board of Directors

All transactions with related parties within the scope of Section 188 of the Act, which are either not in the ordinary course of business or are not at Arm's Length shall require prior approval of the Board of Directors.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- a) Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- b) Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- c) Transactions which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval

- d) Material Related Party Transactions which are intended to be placed before the shareholders for approval

Information in such form and manner as prescribed in the Act and/or LODR Regulations 2015 would be provided to the Board.

Approval of the Shareholders of the Company

All Material Related Party Transactions shall require approval of the shareholders through Resolution.

In addition to the above, all kinds of transactions with related parties covered under Section 188 of the Act which (a) are not at Arm's Length or not in the ordinary course of business; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 or in this Policy, shall require prior approval of the shareholders through resolution.

However, the requirement of shareholders' approval shall not be applicable for transactions entered into between the company and its wholly owned subsidiary whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.

Voting

In determining whether to approve or ratify a Related Party Transaction, the Committee / Board, as the case may be, shall take into account among other factors it deems appropriate, whether the Related Party Transaction is in the ordinary course of business of the Company and on arm's length basis and the extent of the related party's interest in the transaction. For this purpose, the Audit Committee / Board, as the case may be, are entitled to seek the assistance of any employee of the Company or one or more independent experts of its choice at the expense of the Company.

Companies Act 2013 (Act):

- If any director of the Company is interested in any contract or arrangement with a related party, such director cannot be present at the board meeting of the Company during discussions in the matter.
- Members who are related parties in the context of the related party contract or arrangement for which resolution is to be passed **shall not vote to approve** the resolution if such Member is a related party.

(LODR Regulations 2015)

- Members who are related parties shall not vote to approve the resolution in respect of approval of material Related Party Transactions irrespective of whether the Member is a party to the particular transaction or not.

Determination of arm's length.

The Company adopts generally accepted practices and principles in determining whether the transaction is at 'arm's length'. In the absence of any definition, the Company may refer to guidance given in Income Tax laws, Customs laws, EXIM laws, etc.

Determining arm's length price is a matter of judgement and it shall be assessed on case by case basis depending upon the facts and circumstances in each case.

The following are the some of the information that may be used to determine the arm's length basis analysis, such as:

- Prices charged by the Company to other third party unrelated parties
 - third party comparable commercial offers / quotations, valuation reports, price publications including stock exchange and commodity market indices or quotations;
 - market analysis, research report, industry trends, business strategies, etc.;
 - management assessment of pricing terms and business justification for the proposed transaction;
 - comparative analysis, if any, of other such transaction entered into by the company.
- All related party transactions should be adequately supported by Contracts or purchase orders/ work order or sales order and documentations to justify ALP.
 - If ALP cannot be justified for any transaction, then approval should be taken from Board and shareholders as required under the Companies Act, 2013.

Reporting and disclosure of related party transactions:

- Director's report shall contain details of Related Party Transactions as required under the Companies Act, 2013 & LODR Regulations 2015.
- The Company shall disclose to the Stock Exchange along with the compliance report on corporate governance on a quarterly basis details of all material transactions with related parties.
- The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.
- The Company shall disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report.
- This Policy will be communicated to all operational employees and other concerned personnel of the Company.

Ind AS 24 – Related Party Disclosures:

Ind AS requires the disclosure of the related party relationship and the transactions with related parties in the annual report

Following are some examples of the related party transactions under Ind AS 24:

- Purchase or sale of goods (finished or unfinished)
- Purchase or sale of fixed assets
- Rendering or receiving of services
- Agency arrangements
- Leasing or hire purchase arrangements
- Transfer of research and development
- Licence agreements
- Finance (including loans and equity contributions in cash or in kind)
- Guarantees and collaterals
- Management contracts including deputation of employees

Threshold limits for dealing with related parties:

As required under Regulation 23(1) of the LODR Regulations, the Company has fixed the following materiality threshold limits, beyond which approval of the shareholders through resolution will be required except for the transactions exempted pursuant to the proviso to Regulation 23(4) of the LODR Regulations:

- Payment to a Related Party with respect to brand usage or royalty – 2% of the annual consolidated turnover of the Company as per last its audited financial statements.
- Other transactions with a Related Party - 10% of the annual consolidated turnover of the Company as per its last audited financial statements.

Subjugation

This policy shall be subject to the provisions contained in the Companies Act, 2013, the LODR Regulations 2015, any guidelines/ directives issued by The Ministry of Corporate Affairs, SEBI or the Stock Exchanges from time to time.

Related Party Transaction not approved under this policy

In the event any Transaction has been undertaken/ is being undertaken with a Related Party without obtaining requisite approval under this RPT policy, The Audit Committee shall be provided with all the relevant facts and circumstances for entering into such transaction with a related party.

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the such transactions shall be immediately reported to the Company Secretary. Such Transactions shall be reviewed by the Audit Committee in the next meeting. 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. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the Board of Directors or shareholders. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy

Review

This policy shall be reviewed by the Board at least once in every three years and may only be amended by a resolution of the Board.

JSW STEEL LIMITED