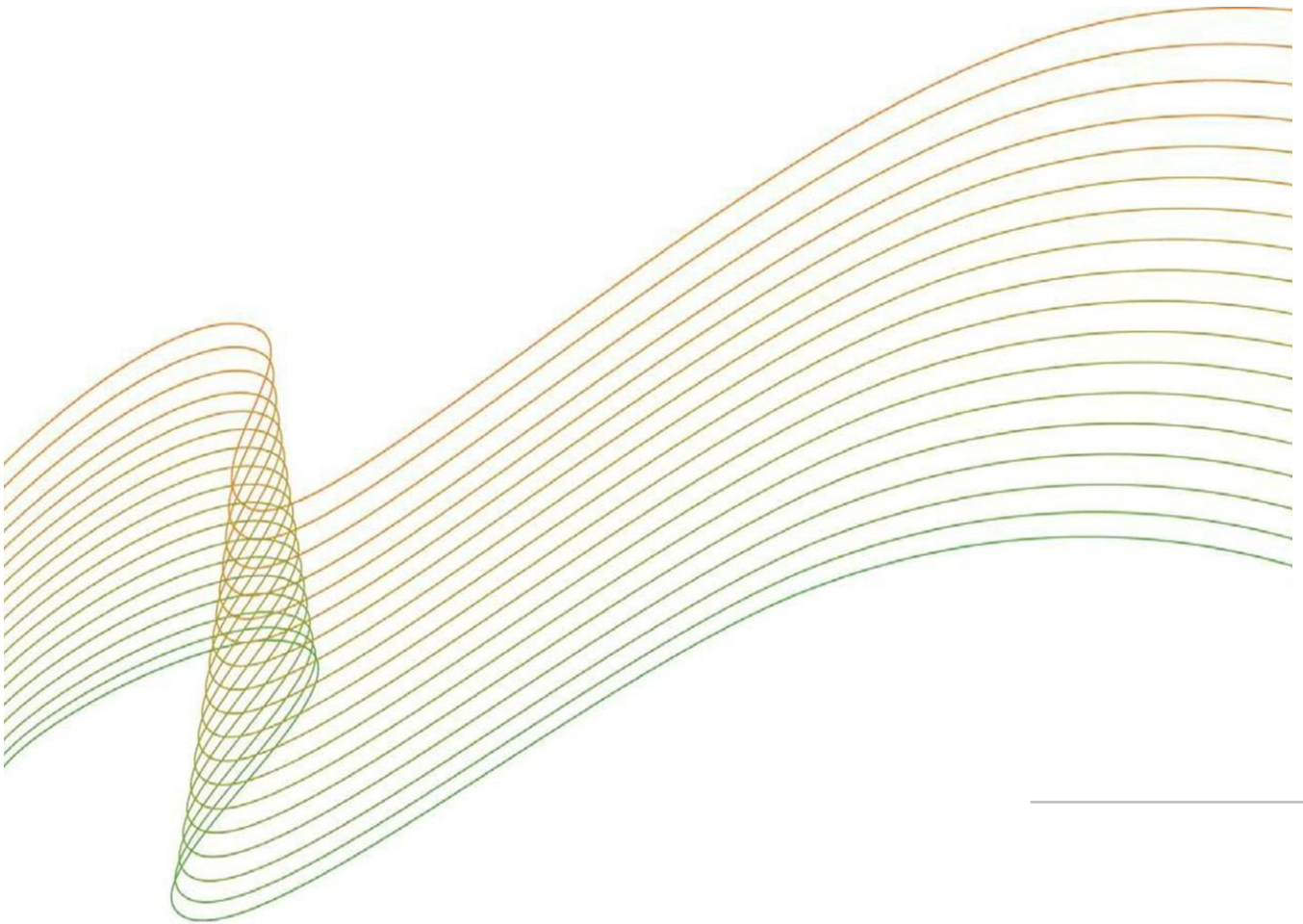


**POLICY ON
RELATED PARTY TRANSACTIONS**



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A. Preamble

1. Provisions of Related Party Transactions (RPT's) under the new Companies Act, 2013 have become applicable from 1st April 2014. These provisions will not only be applicable to companies and/or directors but also to the Key Managerial Personnel(KMP's) which includes CFO, Company Secretary, CEO, Manager and other officers identified by the company as KMPs.
2. If any transaction is not at arm length and in the Ordinary course of business, then it requires approvals of the Audit Committee and Board of Directors and if such transaction (s) also exceeds the threshold limits provided under the Companies Act, 2013, then such transaction requires approvals of the shareholders in General Meeting.

The Audit Committee may grant omnibus approval subject to such conditions as may be prescribed from time to time.

3. We have some 100 odd companies, which can be related parties. This includes subsidiaries, JVs, Associate Companies etc. This list will be updated and published quarterly by the Corporate Secretariat Department. Respective Finance departmental heads are advised to provide the periodic details of the Related Party Transactions of the Companies under their fold to Group Internal Audit (GIA) who in turn will validate and send the consolidated RPTs in Board presentable format to the Corporate Secretariat Department within 7 days of end of quarter. The report will be submitted to the Audit Committee for its review.
4. It may be noted that in case of material related party transaction(s), an intimation to the Stock Exchange(s) requires to be submitted as per the Listing Regulations, 2015.
5. Related party transactions provisions are also applicable to the transactions with Foreign/Overseas Companies as well.

As per the Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR),the listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions:

Explanation- 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 ten percent of the annual consolidated turnover of the listed entity** as per the last audited financial statements of the listed entity.

7. Approval of Audit Committee is required for all related party transactions. The Audit Committee may make Omnibus Approval for related party transactions proposed to be entered into by the Company subject to the conditions as mentioned in para F (I) (3).

B. Applicability

All the Related Party Transactions are to be done strictly as per the procedures, processes and methodologies prescribed in this policy and this policy shall invariably be applicable to JSPL and its subsidiary, associates, joint ventures and group companies.

However, the provisions given under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 / SEBI circulars, as mentioned in this policy shall be applicable only to listed Company(ies) of the Group. Presently there is only one Listed Entity i.e. Jindal Steel & Power Limited.

C. Who is a Related Party

The term Related Party is defined under Section 2 (76) in Companies Act, 2013, which includes:

Related Party with reference to a Company, means;

- (i) 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 member or director;
- (v) A public company, in which a director or manager is a director and holds along with his relatives more than 2% of its paid up capital
- (vi) Anybody 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 on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity.

- (viii) Any company which is-
 - » a holding, subsidiary or an Associate Company of such company
 - » a subsidiary of a holding company to which it is also a subsidiary;
- (ix) Such other persons as may be prescribed

Associate Company: A company in which other company has a significant influence to control at least 20% of total share capital or business decision under an agreement. It includes a JV company.

Further in terms of Regulation 2(1) (zb) of the LODR, the term Related Party shall also include the related parties covered under applicable accounting standards.

Corporate Secretarial Department shall provide the list of the Related Parties from time to time.

D. What is Related Party Transaction

Section 188(1) of the Companies Act, 2013 prescribes types of related party transactions. According to this Section, subject to the approval of the Audit Committee or the Board

or the Shareholders, as the case may be, a **Company shall enter into any contract or arrangement** with a related party with respect to:-

- (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) Appointment of any related party 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.

Office or Place of profit : *Anything by way of remuneration over and above the remuneration to which he is entitled as director/KMP/Relative, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.*

For Listed Companies

In addition to the above, in case of Listed entities following would also fall under the definition of Related Party Transactions:

“Related party transaction” means a transfer of resources, services or obligations between a listed entity 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.

Samples of Related Party Transactions are briefed in Annexure-I

E. Threshold Limit prescribed for different level of Approvals, if the RPTs are not at Arm’s Length Price or not in Ordinary Course of Business:

		Level of Approvals					
		Audit Comm.		Board		Shareholders	
		L	UL	L	UL	L	UL
Sales Purchase or supply of any goods or material, Directly or through appointment of agents	>10% of turnover or Rs.100 Crore, whichever is lower	√	√	√	√	√	√
Selling or buying of property of any kind directly or through appointment of agents	>10% of net worth or Rs.100 Crore, whichever is lower	√	√	√	√	√	√
Leasing of any property of any kind	> 10% of the net worth or turnover or Rs.100 Crore, whichever is lower	√	√	√	√	√	√
Availing or rendering of any services, directly or through appointment of agents	>10% of turnover or Rs.50 Crore, whichever is lower	√	√	√	√	√	√

Appointment of office of place of profit in the Company or its subsidiary/associate company	Monthly remuneration exceeding Rs.2.50 Lacs	√	√	√	√	√	√
Remuneration for underwriting Subscription of any securities or derivatives	1% of the net Worth	√	√	√	√	√	√

L: Listed Entity

UL: Unlisted Entity

Related Party Transaction between holding company and wholly owned subsidiary company does not require shareholder's approval.

Even if RPTs are at arm's length and in the ordinary course of business, prior approval of Audit Committee is required in all cases.

In case the transactions are not at arm's length and not in the ordinary course of business, approval of Board is must, even if the RPTs are done below the above threshold limit.

F. Overall approach to comply with the requirement as above

(I) In order to facilitate operations and ensure that the transactions are done without hindering any day to day operations for want of prior approvals, following arrangement will be put in place:

1. Related parties shall be categorized into three segments viz.:
 - a) Holding Company or Jindal Power Limited or 100% subsidiary Company,
 - b) Subsidiaries/joint ventures where part of the share capital is held by Government entities or by any person who is not a Related Party
 - c) Other related parties
2. Regular / recurring transactions with parties under (a) or (b) above shall be carried out based on the annual budgetary approvals. At least one tender should be obtained for such recurring transactions once in a year in order to establish the terms of such transactions are at arms' length and in the ordinary course of business.
3. For related party transactions with parties covered in category 1(c), the Company shall adhere to the following:
 - i. where comparative prices of the product are available in the reputed data base or indices then such prices shall be taken as the price for executing the related party transaction(s).
 - ii. where comparative prices of the products are not available in the reputed data base or indices then bids should be invited indicating estimated quantity required for the whole year.
 - iii. Managing Director / CEO and Chief Financial Officer shall approve such Related Party Transactions at the time of actual execution.

- iv. Internal Auditor shall, on quarterly basis, place before the Audit Committee, the details of above transactions executed during the quarter and ensure the above compliances.
4. Audit Committee may, subject to following conditions, grant omnibus approval for transactions with the parties other than those mentioned in Clause 1 (a) and (b):

For Unlisted Companies :

- (1) The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely:-
 - (a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - (b) the maximum value per transaction which can be allowed;
 - (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - (d) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the Company pursuant to each of the omnibus approval made;
 - (e) transactions which cannot be subject to the omnibus approval by the Audit Committee.
- (2) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: –
 - (a) repetitiveness of the transactions (in past or in future);
 - (b) justification for the need of omnibus approval.
- (3) The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.
- (4) The omnibus approval shall contain or indicate the following: –
 - (a) name of the related parties;
 - (b) nature and duration of the transaction;
 - (c) maximum amount of transaction that can be entered into;
 - (d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
 - (e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

- (5) Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- (6) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

For Listed Companies :

In case of a listed company of the Group, in addition to the above conditions, the Omnibus Approval for related party transactions proposed to be provided by the Audit Committee will be subject to the 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 listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;
- (b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;
- (c) the omnibus approval shall specify:
 - (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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.

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 rupees one crore per transaction.

- (d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.
- (e) such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

All material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

These provisions shall not be applicable in the case transactions entered into between a holding Company and its wholly owned subsidiary whose accounts are consolidated with such holding Company and placed before the shareholders at the general meeting for approval.

The Company shall disclose the policy on dealing with the Related Party Transactions on its website and a web link thereto in the in the Annual Report.

All the Related Party Transactions are to be certified by the Internal Audit and to be validated by a Chartered Accountant or an agency competent to perform such activities, if required.

- (II) Budgetary approval (**As per the format given in Annexure-II**) will be obtained for proposed related transactions from the Audit Committee/Board/Shareholders, as the case may be, showing the name of related parties, nature of transactions, terms/quantity, indicative base price / current contracted price and the formula for variation in the price, if any and amount for full year as per Annual Business plan for the year, and

- (III) Where the transaction exceeds the budgetary approval, supplementary approval shall be taken from the respective authority(s) before entering into the transaction.
- (IV) If any transaction is not covered in the budgetary approval, then details mentioned above should be sent to Corporate Secretariat Department well in advance for inclusion in the Budgetary approval to be taken from the Audit Committee.
- (V) Quarterly statement showing details of transactions as above and vetted by Internal Auditor will be submitted to Audit committee. This is must.
- (VI) If there is any one of transactions (more than Rs. 1 Crore per transaction) not covered by above points, then prior approval of Audit Committee must be taken through Company Secretary before entering into the contract.

All the documents evidencing above compliances shall be maintained by the respective departments.

G. Guidelines/Procedures to be followed by all the Companies in the Group for Related Party Transactions.

- a) **All related party transactions will be done only at Arm's length** in terms of prices/terms and conditions and in the normal course of business. (In case where a transaction is done without monetary consideration, then the arm's length price shall be the price, if the transaction should have been transacted at a price, had it not been done without consideration.
- b) Arm's length price comparable to be established for every transaction by any one of the following methods :
 - i. Comparison with similar transactions with third parties
 - ii. Having three 3 quotations
 - iii. Establishing comparable prices/terms using reputed data bases or indices.
 - iv. In exceptional cases, third party valuation report to be obtained to establish the Arm's Length Price.
- c) For every related party transaction or modification(s) thereof, information as per enclosed **Annexure III** to be filled up along with supporting documents.
- d) Approval process for the transaction as per **Delegation of Financial Power (DOFP)** or other guidelines and will be followed on the basis of **Note for Approval (NFA)** and documents as in clause (c) above.
- e) Internal Audit in every location will verify the information mentioned in the format enclosed **Annexure III** on monthly basis and give a report by 20 of following month to HO ensuring such transactions are supported with appropriate relevant documents as in (b) and (c) above. This report to be submitted to Audit Committee on 'Quarterly basis'.

- f) Location finance head of every unit/company is responsible to provide the list of all related party transactions/supporting documents to Internal Audit by 10th of every following month for the previous month.
- g) Any transaction not in compliance of the above and related party transaction will need prior approval and hence NFA to be submitted to Corporate Secretariat Department with internal approvals and documents verified by Internal Audit to arrange approval of Audit Committee/Board/Shareholders, as the case may be.
- h) In case of any doubt, please consult Corporate Secretariat Department for clarification/guidance.

H. Arm's Length Price (ALP)

Arm's Length Transactions means a transaction between two related parties that is conducted as if they were unrelated so that there is no conflict of interest.

Computation Methodology of Arm's Length has not been prescribed under the Companies Act, 2013. Hence please refer to the guidelines as mentioned in E to ensure the Arm's length price.

Annexure I: Samples of Related Party Transactions:

Company	Transactions
Wollongong Coal Limited	Purchase of coking coal
Jindal Shadeed Iron & Steel	Purchase of HBI and Sale of Pellet /Fabricated Structure/Machinery
Jindal Mozambique Minerals Ltd	Purchase of Thermal/Coking coal
Jindal Mining SA	Purchase of Anthracite and Thermal Coal
Jindal Power Limited	Purchase of Power/Sale of Steel/Sale or Purchase of Scrap
Nalwa Steel & Power Limited	Conversion-a) Iron ore /Iron ore fines/Pellets to Sponge Iron b)Pellet to TMT c)Iron ore to TMT d)TMT to Cut and Bend,Sale/Purchase of Sponge iron, Sale of Pig Iron/Scrap

Annexure II

Related Party format

Format for taking budgetary approval for related party transactions from Audit Committee

Particulars					For approval of audit committee					
Sr. No.	Previous FY 13-14		Location	Name of Related Party	Nature of Transaction	Current Year-April 14 to September 14 - Actuals		Current Year-October 14 to Budgeted		
	Qty	Value				Qty	Value	Qty	Current rate/Indicative base price	Value

Annexure-III- Methodologies

Following are the methodologies for ensuring the related party transactions are done at Arm's length price. One of the three suggested methodologies must be adopted.

A. Comparable price: wherever possible three independent quotations should be obtained and listed as per following table. The transaction price for the proposed related party transaction should be compared with the independent quotation.

Comparison with quotations/bids					
Location	Item	Transaction Price	Comparative Price		
			1	2	3

B. Comparison with recent transactions: Any recent transactions for the sale/purchase of Same product can be used as basis for comparison of price for related party transaction in such cases the comparative details should be maintained as per following table:

Comparison with recent transactions		
Bidding Vendor	Transaction Price	Comparative Price

C. Comparative indicators will be one of the following:

- i. Steel Mint
- ii. E-auction
- iii. CMIE database
- iv. Any other
