

2023

Related Party Transactions Policy

ArcelorMittal Nippon Steel India Limited

This document summarizes an approval procedure to be followed for undertaking transactions with any of the Related Parties defined in this Policy, in line with the requirement of Companies Act, 2013.

Approved by Board of Directors on

September 09, 2014



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Every possible care has been taken to ensure that the information in this document is accurate at the time of going to print.

Any enquiries or comments regarding this document / circulation should be addressed to the **Related Party Monitoring team:**

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Contents

1.	Objectives	4
2.	Introduction	5
3.	Definitions.....	6
4.	Identification of related parties	8
5.	Indicative list of related party transactions	9
6.	Indicative list of non-ordinary course transactions	10
7.	Arms' length pricing	11
8.	Approval process.....	13
9.	Appendix	20
	Appendix-A - Form of Approval	
	Appendix-B - List of RPT require specific approval	
	Appendix-C - Role and Responsibility	
	Appendix-D - Statutory Provisions	
	Appendix-E - Standard List of Documents for related party transactions	
	Appendix-F – RPT Approval Matrix	

1. Objectives and Purpose

To identify and evaluate potential conflicts of interest, independence factors and disclosure obligations arising out of financial transactions, arrangements and relationships between ArcelorMittal Nippon Steel India Limited (AMNS) and its Related Parties.

ArcelorMittal Nippon Steel India Limited (the “**Company**” or “**AMNS**”) has designed this Policy on Related Party Transactions for ensuring compliance with the Companies Act, 2013 and Rules made thereunder to the extent applicable (the “**Act**”) in respect of transactions with Related Parties as defined below.

This policy applies to any and all transaction from the effective date with any of the identified Related Party, unless the transaction is specifically exempted or deemed as pre-approved.

This Policy may be amended at any time in line with statutory requirement, by the Board of Directors or the Committee of AMNS.

Further Guidance:

Further guidance on the provisions of the Companies Act, 2013 relating to related party transactions is available on request from the Company Secretary, guidance on transfer pricing and accounting aspects from the Head - Direct Taxation.

General guidance on the Policy is available from the Related Party Monitoring team.

2. Introduction

- 2.1 This Related Party Transactions Policy must be followed for all transactions that the Company enters into with a Related Party or a transaction which may benefit a Related Party.
- 2.2 This Policy shall be applicable to all related party transactions entered on or after April 1, 2014 and shall be effective from *April 1, 2014*.
- 2.3 For the purposes of this Policy, a related-party transaction is any sale or purchase, transfer of resources, services or acceptance of obligations between related parties, regardless of whether any compensation has been agreed upon.
- 2.4 This Policy also applies when amending, modifying or terminating an existing agreement between Related Parties.
- 2.5 The value to be ascribed to an amendment or modification of contract which is confirmed as being on ordinary course, arms' length terms is the change in value of the contract from the existing contract to the new contract. For other contracts the value to be ascribed would be the total value of the (new) amended contract.
- 2.6 When determining the value of a transaction to which the Policy applies, the total value of all commitments arising pursuant to the transaction (including taxes) should be taken into account. Any conditional or contingent amounts and the terms under which such amounts would become payable should also be indicated.
- 2.7 Once a transaction is approved along with its crucial terms (nature of transaction/service, payment terms, pricing formula, timing and manner of revisions in terms, etc.), as a contract, specific approval of purchase orders or sub-contracts would not be required under this Policy.
- 2.8 Payments under related party transactions approved prior to this policy coming into effect shall not require any further approval..
- 2.9 To monitor approval process, a Related Party Transaction Monitoring team has been formed consisting of (i) Company Secretary (ii) GM & Head (Corporate Accounts) and (iii) Head –Taxation.
- 2.10 Role and Responsibility, in general, of functions involved in approval process is outlined at **Appendix C** and statutory provisions are reproduced at **Appendix D**.
- 2.11 The recommended documentation for audit of RPT is provided separately at **Appendix E**.
- 2.12 The Policy is to be reviewed by the MC/Board of ArcelorMittal Nippon Steel India Limited.

3. Definitions¹

- 3.1 **“Act”** means the Companies Act 2013 and Rules thereunder as amended or modified from time to time.
- 3.2 **“Approval Form”** means the form for “Approval of Related Party Transactions” attached as *Appendix A* completed and signed off by all appropriate persons.
- 3.3 **“Arms’ 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.
- 3.4 **“Associate company”** in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.
- Explanation- For the purposes of this clause, significant influence” means control of at least 20% of total share capital, or of business decisions under an agreement
- 3.5 **“Goods”** is as defined under the Sale of Goods Act 1930 and means every kind of movable property other than actionable claims and money; and includes stock and shares, growing crops, grass, and things attached to or forming part of the land which are agreed to be severed before sale or under the contract of sale
- 3.6 **“Key Managerial Personnel”** in relation to a company means -
- Chief Executive Officer or the Managing Director or the Manager;
 - Chief Financial Officer
 - Whole-time Director
 - Company Secretary
 - such other officer as may be prescribed under the Act
- 3.7 **“Ordinary course transaction”**: A transaction could be considered in “ordinary course of business” if -
- It is covered in the main or incidental objects in the Memorandum of Association i.e. it relates to the main purpose of the business
 - It is “normal” or “routine” in managing production, trade or business.
 - It is a transaction a company has engaged in many times before in the interests of the company (frequency) or required in the course of business or improving the efficiency of the operations;

¹ *Wherever relevant, definitions have been taken from the Companies Act, 2013 as applicable and prevailing from time to time.*

- It is a transaction a company does regularly in the interest of the company (predictable, uniformly occurring or consistent)
- If it is a common in the industry practice
- It is a source of income or revenue or item of expenditure in relation thereto for the business of the Company as per its Memorandum of Association

3.8 “Related Party” in relation to a company means -

- A Director or his relative
- A Key Managerial Person or his relative
- A firm, in which a director, manager or his relative is a partner
- A private company in which a director or manager or his relative is a member or director;
- 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 share capital;
- Any body-corporate whose Board of Directors, MD or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager
- Any person on whose advice, directions or instructions a director or manager is accustomed to act:
- Any company which is –
 - a holding, subsidiary or an associate company of such company; or
 - a subsidiary of a holding company which it is also a subsidiary;
- Director or key managerial personnel of the holding company or his relative.
- Such entities which are declared as Related Parties by Shareholder(s);

3.9 “Related Party transaction” is a transfer of resources, services or obligations between a company and a related party regardless of whether a price is charged.

3.10 “Relative” with reference to any person, means anyone who is related to another, if—

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) one person is related to the other as mentioned herein below -
 - Spouse
 - Members of a Hindu Undivided Family
 - Father (including stepfather)

- Mother (including stepmother)
- Son (including stepson)
- Son's wife
- Daughter
- Daughter's husband
- Brother (including stepbrother)
- Sister (including stepsister)

3.11 "**Shareholders**" means ArcelorMittal S.A. or Nippon Steel Corporation as the case may be.

4. Identification of Related Parties

4.1 It shall be the joint responsibility of the Company Secretary, the CFO and the General Manager (Corporate Accounts) to ensure that the list of related parties be kept updated at all times by following the process mentioned hereunder.

4.2 The responsibility for updating, maintaining and ensuring completeness of the related party list for the Company is as follows:

4.2.1 Any transaction with any subsidiary of **ArcelorMittal S. A.** will require approval of the Board of Directors of ArcelorMittal Nippon Steel India Limited. Likewise, Any transaction with any subsidiary of **Nippon Steel Corporation** will require approval of the Board of Directors of ArcelorMittal Nippon Steel India Limited.

Information on subsidiaries of ArcelorMittal Group or Nippon Steel Group would be provided by the respective Group Secretarial Team. The Company Secretary shall be the point of contact for obtaining this information.

4.3 The related party list shall be updated by the Secretarial department as and when information of addition or deletion of a party is brought to its notice. At any rate the related party list shall be updated on a periodic / quarterly basis.

4.4 Based on this information, there would be a periodic communication from the Company Secretary to the CFOs, Accounts Heads and other HODs on updates to the list of related parties.

4.5 Finance in-charge of each unit of AMNS shall be responsible for ensuring that the list of related parties received as per 4.3 above are tagged and / or marked in SAP.

5. List of related party transactions u/sec 188 of the Act

- 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 a related party to any office or place of profit in the company, its subsidiary company or associate company
- g. Underwriting the subscription of any securities or derivatives thereof, of the company

Related parties/ affiliates transactions may be recurring or nonrecurring in nature.

Recurring transaction examples include contracts between related parties/ affiliates for goods and services such as:

- Data processing services
- Accounting services
- Supplies, e.g., raw materials, finished goods, office or maintenance supplies etc.
- Audit or compliance department fees
- Management fees
- Providing financial support of any kind

Examples of non-recurring transactions include:

- Sale/Purchase of equipment between related parties
- Sale of properties, real estate between related parties
- Execution of contracted services over a long period of time to a related party
- ICDs / Loan participations / Security Creation / Guarantees
- Providing of services by one related party to another, without contract

6. Indicative list of non- ordinary course transactions

- a. Equity transactions, such as corporate restructurings or acquisitions
- b. Transactions with offshore entities in jurisdictions with weak corporate laws
- c. The leasing of premises or the rendering of management services by the entity to another party if no consideration is exchanged.
- d. Sales transactions with unusually large discounts or returns
- e. Transactions with circular arrangements, for example, sales with a commitment to repurchase
- f. Transactions under contracts whose terms are changed before expiry

7. Arms' length pricing

The following commonly applicable methodologies may be used to establish arms' length pricing

7.1 Comparable Uncontrolled Price Method (CUP) [Price comparison]

CUP is a method used to determine if the prices reported in a transaction are comparable with prices for similar tangible goods in an arm's length transaction. This method relies on a direct comparison of prices and is applicable only when the goods are standard enough to be sold in an open market. For e.g.

- Company sells or buys similar goods, in similar quantities and under similar terms from / to an independent enterprise in a similar/comparable market;
- An independent enterprise buys or sells a particular product, in similar quantities and under similar terms from / to another independent enterprise in a similar market.

7.2 Resale Price Method (RPM) [Gross margin comparison]

An arm's length price is determined by deducting an appropriate discount for the activities of the reseller from the actual resale price. The appropriate discount is the gross margin, expressed as a percentage of net sales, earned by a reseller on the sale of property that is both purchased and resold in an uncontrolled transaction in the relevant market. Whenever possible, the discount should be derived from sales by other resellers in the same or a similar market.

The resale price method measures the value of functions performed and is ordinarily used in cases involving the purchase and resale of tangible property in which the reseller has not added substantial value to the tangible goods by physically altering the goods before resale. For this purpose, packaging, repackaging, labelling, or minor assembly do not ordinarily constitute physical alteration.

7.3 Cost Plus Method (CPM) / Transactional Net Margin Method (TNMM) [Comparison of profit markups on costs/ sales or assets]

Cost plus pricing is a cost-based method for setting the prices of goods and services. Under this approach, a markup percentage (to create a profit margin) is added to the

cost of a product in order to derive the price of the product. Cost plus pricing can be used within a customer contract, where the customer reimburses the seller for all costs incurred and also pays a negotiated profit in addition to the costs incurred. For e.g. if in the construction industry normal margin is around 20% then for evaluating similar related party transaction cost plus margin can be used with margin being compared against industry benchmarks. Such margin may vary on case-to-case basis and industry to industry.

7.4 Profit Split Method (PSM)

This method can be used where transactions are so interdependent that it is not possible to identify closely comparable transactions, particularly in circumstances where both parties in a related party transaction have contributed valuable intellectual property.

The relative value of each related party's contribution to the success of the relevant business activity must be determined in a manner that reflects the functions performed, risks assumed, and resources employed by each participant in the relevant business activity, consistent with the comparability. This method compares the division of operating profits among the related parties to the division of operating profits among non-related parties engaged in similar activities under similar circumstances.

7.5 Expert Certificate

This method can be used where transactions are so interdependent that it is not possible to identify closely comparable transactions, particularly in circumstances where both parties in a related party transaction have contributed valuable intellectual property or exclusively dealing with those products.

An independent expert (say chartered engineer etc.) can confirm the relative value of each related party's contribution to the success of the relevant business activity must be determined in a manner that reflects the functions performed, risks assumed, and resources employed by each participant in the relevant business activity, consistent with the comparability. This method compares the division of operating profits among /the related parties to the division of operating profits among non-related parties engaged in relatively similar activities under relatively similar circumstances.

8. Approval process

8.1 General

- 8.1.1 All employees are responsible for identifying and disclosing potential related party transactions; to the Monitoring Team and/or Committee.
- 8.1.2 The Monitoring Team is responsible for ensuring that all related party transactions are identified and submitted to the Committee for review and approval process.
- 8.1.3 All Potential related parties' transactions, that are identified by the Monitoring Team.
- 8.1.4 All transactions identified as related parties' transactions must be reviewed by the **Monitoring Team** to ensure the following:
- A conflict of interest does not exist
 - An improper valuation of such transaction has not been performed; and
 - Information necessary to disclose the related party transaction are properly documented
 - Proper back-up documents are available for review and decision by Committee to ensure that transaction is proposed at Arm's Length price and is in the Ordinary Course
- 8.1.5 As per the Delegation of Authority Manual ("DOA"), no specific approval by the legal department shall be required for related parties' transaction.
- 8.1.6 Each non-contract transaction shall be signed off by the head of procurement/CPO.
- 8.1.7 The Approval matrix is set out in Appendix F for easy reference.

8.2 Pre audit approval process

8.2.1 Requisitioning department to put up a note on the proposed transaction along with Arms' length pricing justification.

8.2.2 The requisitioning department shall be responsible for execution and submission of the Approval Form (*Refer Appendix A*) which shall be duly filled in and signed off as follows:

a. **Confirmation by ASSET/UNIT/BUSINESS CFO & ED**

The CFO & ED of the ASSET/Business proposing to enter into the transaction is required to confirm that the transaction is on **arm's length commercial terms** and provide supporting evidence (for example, with regard to a loan from a Group Company, evidence will be required that the interest rate are as per Bank Rate or Yield on Government Treasury Bonds for relevant period) and that the **transaction is structured in a suitably tax efficient manner** in the jurisdiction(s) in which it is to be implemented. For confirming the tax efficiency, the CFO & ED may seek confirmation from the Taxation team.

b. **Confirmation by Steel Business / ASSET Legal counsel**

As per the Delegation of Authority Manual ("DOA"), no specific approval by the legal department shall be required for related parties' transaction.

c. **Confirmation by ASSET/BUSINESS CEO**

The ED of ASSET/BUSINESS/UNIT (designated as the owner of the transaction) proposing to enter into the transaction is required to confirm whether the transaction is in "**ordinary course**" or "**non ordinary course**".

8.3 All documents in 8.2.1 and 8.2.2 above shall be sent to the Related Party Monitoring Team after confirmation by the ASSET CEO/Business CEO.

8.4 At any point of time while reviewing the transaction, the ASSET/Business CEO or the Related Party Monitoring Team may require the requisitioning team to obtain a third-party confirmation that the transaction is on arm's length commercial terms. The identity of the third party would be determined by the ASSET CEO or the CEO, COO or CFO.

8.5 The Related Party Monitoring Team shall scrutinise the documents and submit the same to the Secretarial team within 3 days of receipt of the documents.

8.6 Board Approval Process

- 8.6.1 The Secretarial team shall approach to board for its approval giving a notice of at least 10 days or such shorter notice as may be allowed under the Act.
- 8.6.2 Any transaction requiring specific approval of the Board or Board committee as per the provisions of the JVA (to be informed by the Company Secretary) or Section 179, 185, 186 or 188 or any other Section of the Act shall be first approved by the Monitoring Committee and then referred to the Board or the relevant Committee of Directors.
- 8.6.3 The CS/CFO/Secretarial team shall prepare a list of certain routine types of transactions in the ordinary course of business. Such transactions shall be pre-approved provided such transactions are carried out on an arms' length basis and are within such monetary limits as may be approved by the Committee.
- 8.6.4 Details (including confirmation of arm's length) of transactions carried out in the previous quarter shall be placed to the Board at their ensuing meeting.
- 8.6.5 The Committee shall scrutinise all the documents placed before committee and shall approve the transaction, other than those already approved as a part of the pre-approval list, and if required refer or recommend the transaction to the Board for approval as indicated in Clause 8.6.10 below, keeping in mind whether:
- a. the proposed transaction is in the ordinary course of business **AND** on arms' length commercial terms **OR**
 - b. the proposed transaction is in the ordinary course of business but **not** on arms' length commercial terms **OR**
 - c. the proposed transaction is **not** in the ordinary course of business.
- 8.6.6 If in the opinion of the Committee, the transaction falls in category (a) above and para 8.6.4, the Committee shall approve the same unless it is one of the transactions mentioned in para 8.6.3 (**Appendix C**).
- 8.6.7 All transactions approved by the Committee as per para 8.6.4 shall be reported to the Board at its next meeting on quarterly basis).

8.6.8 In case if in the opinion of the Committee, the transaction should be approved by the Board **or** the transaction is either one which is set out in Para 5 “List of Related Parties u/sec 188” or requires approval of the Board under any other provisions of the Act, the Committee shall refer the transaction to the Board of Directors for its approval and further process as may be applicable. The Committee shall give a rationale / reasoning for considering the transaction as falling in either (b) or (c) of para 8.6.7 above.

For transactions not mentioned in (a) to (g) of Para 5 of this Policy, the Committee shall approve the same and no further process shall be required even if these transactions fall in (b) or (c) of para 8.6.7.

8.6.9 The Committee may require the Company to obtain a third-party confirmation that the transaction is on arm’s length commercial terms. The identity of the third party would be determined by the Committee in consultation with the concerned D&VPs.

8.6.10 The Company has the option to present any transaction not approved by the Committee to the Board for its consideration and approval.

8.7 Board approval process

8.7.1 In case the transaction mentioned in para 5 above is referred to the Board pursuant to 8.6.10 or 8.6.12 above, the Company Secretary shall place a statement with the following details so as to enable the Board to decide on further procedures:

Sr no	Particulars	Details
a.	Name of Counter party (ies)	
b.	Nature of relationship with the Company, if any, along with shareholding details;	
c.	In case the company is a wholly owned subsidiary, whether the shareholders of the holding company have passed a special resolution approving the transaction	
d.	Brief description of the proposed contract (nature, duration)	
e.	Material terms of the proposed contract	
f.	Value of the proposed contract (Rs)	
g.	Whether any advance payable/paid or receivable/received for the contract or arrangement	
h.	the manner of determining pricing and other commercial terms, both included as part of contract and not considered as part of the contract	
i.	whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors	
j.	Recommendation of the Committee	
k.	Date of approval / recommendation by the Committee	
l.	Whether shareholders' approval is required	

8.7.2 Transactions requiring Board approval shall be taken up at the ensuing Board meeting which shall be convened and conducted as per the provisions of the Act.

8.7.3 In case there exist circumstances which prevent the company from obtaining previous authorisation by a Board for carrying out related party transaction/s mentioned in Para 5 above, the Board may ratify such transactions within the period of 3 (three) months from the date of entering into such transaction. In case the Board do not ratify, such contract would be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

8.8 Shareholders' approval process

8.8.1 All ordinary course non arms' length transactions and all non-ordinary course related party transactions falling within any of the following parameters shall require prior approval of the shareholders by a special majority (by non-interested shareholders) in addition to the approval of the Committee and the Board as per paras 8.6 and 8.7 respectively.

Approval of shareholders of the transacting party is required if the transaction fulfils any of the following criteria (applicable only if the transaction is an ordinary course non arm's length of non-ordinary course transaction)	
Sale, purchase or supply of any goods or materials directly or through appointment of agents	> 10% of the <u>turnover</u> or
Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents	> 10% of the <u>net worth</u> or
Leasing of property of any kind	> 10% of the <u>turnover</u> or > 10% of the <u>net worth</u> or
Availing or rendering of any services directly or through appointment of agents	> 10% of the <u>turnover</u> or
Appointment to any office or place of profit in the company, its subsidiary company or associate company	remuneration exceeding Rs.2.5 lakh / p.m.
Remuneration for underwriting the subscription of any securities or derivatives thereof of the company	> 1% of the <u>net worth</u>
Loan to a Managing Director or a Whole Time Director which is not part of the conditions of service extended by the Company to all its employees	Any Amount

The Turnover or Net Worth referred in the above shall be computed on the basis of the Audited Financial Statement of the preceding financial year.

8.8.2 The Shareholders' meeting shall be convened and conducted as per the provisions of the Act (a) name of the related party; (b) name of the director or key managerial personnel who is related, if any; (c) nature of relationship; (d) nature, material terms, monetary value and particulars of the contract or arrangement; (e) any other

information relevant or important for the members to take a decision on the proposed resolution."

Appendix

Appendix A

FORM OF APPROVAL OF RELATED PARTY TRANSACTIONS

Transaction number (to be filled by Related Party Monitoring Team)												
Name of Contracting party (Company)												
Counter Party which is a related party												
Description of proposed transaction:												
Frequency of Transaction: One Time / Recurring / Non-recurring / Long Term												
Is the transaction in the ordinary course of business? Give Justification.											YES / NO /	
Value of proposed transaction (in Rs crore): _____ as at date _____												
Financial sign-off												
Description of financial commitments of the Company:												
I hereby confirm that the proposed transaction does not contain any embedded derivatives and is structured in a tax efficient manner (Applicable for international transaction only. No vetting of documents required for domestic transaction):												
Signature of CFO/ Chief Financial Officer ASSET/Business (Whichever is applicable)												
.....												
Name :												
Designation :												

Business sign-off		
Is the transaction in the ordinary course of business?		
YES / NO		
I hereby confirm that the proposed transaction is on arm's length commercial terms		
Signature of CEO/CFO of Asset/Business <i>(Whichever is applicable)</i>		
.....		
Name :		
Designation :		
Confirmation that the Policy has been complied with		
.....		
Company Secretary	Head Accounts	Head Taxation
		<i>(Applicable for international transaction only. No vetting of documents required for domestic transaction)</i>
{Related Party Monitoring Team}		

Please submit the completed form to Related Party Monitoring Team

Note: *All supporting documents to justify transaction at arm's length and in the Ordinary Course of Business as per Para 8.2 have to be attached with this form*

Indicative list

(i) Comparative Quotes (ii) Justification for pricing (iii) Special Circumstances (iv) Third Party opinion (v) Historical Transaction details (vi) Comparative Contract details with unrelated part

Appendix B

**MATTERS REQUIRED TO BE APPROVED BY THE BOARD /
COMMITTEE OF DIRECTORS / MANAGING DIRECTOR / WTD**

Transactions with related parties requiring approval of Committee

Section	Particulars
Section 179(3)(c)	To issue securities, including debentures, whether in or outside India
Section 179(3)(d)	To borrow monies
Section 179(3)(e)	To invest the funds of the company
Section 179(3)(f)	To grant loans or give guarantee or provide security in respect of loans
Section 179(3)(i)	To approve amalgamation, merger, demerger, acquisition, takeover or reconstruction
Section 179(3)(j)	To take over a company or acquire a controlling or substantial stake in another company
Section 186 (5)	Investment, loan, guarantee or security to be given by the company where any term loan default is subsisting (<i>unanimous Board consent</i>)
Section 196 (4)	Approval of terms of appointment and conditions of appointment of managing director, whole-time director or manager
Rule XII (8)	To buy, sell investments held by the company (other than trade investments), constituting 5% or more of the paid-up share capital and free reserves of the investee company

Appendix C

Role and Responsibility:

Following is the Role and Responsibility of functions involved in Related Party Transaction approval process.

1 Chief Financial Officer

- Providing support to the Related Party Monitoring Team in implementing the policy;
- Providing guidance to employees, and addressing any queries related to the disclosure of related party transactions, in consultation with Company Secretary; and

2 Related Party Monitoring Team:

- Creating awareness and communicating the importance of complying with the related party transactions policy, through workshops and trainings;
- Reviewing the Company's transactions and identifying any potential 'related party transactions' that would require an exceptional review, approval and disclosure;
- Reporting potential 'related party transactions' to the Committee for review and approval as per authority matrix; and
- Monitoring the adherence to the policy, and reporting breaches or misuse of information to the Chief Financial Officer and the Board.
- Providing opinion to the Chief Financial Officer on matters concerning related party transactions, including the identification of related party transactions, and communicating the implications of a failure to disclose related party transactions.

3 Employees within business Assets and supporting functions:

- Strictly abiding by the applicable policy, with regards to the identification and

disclosure of related party transactions;

- Immediately reporting any failure to report potential 'related party transactions' to the direct supervisor, Related Party Monitoring Team or to the Chief Financial Officer if required; and
- All Directors and Executive Officers are required to disclose related party transactions, in accordance with requirement of the Act.

4 Accounting Department:

- Provisioning of system to ensure identification of 'related party transactions'
- Reporting and disclosing related party transactions as per the Company's Accounting Policy.

5 Internal Audit:

- Providing independent assurance on the effectiveness of the implementation of the guidelines across AMNS business Assets.

Appendix D

Statutory Provisions

Approval requirements

Section 177

- (1) Every Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, *inter alia*, include-
- (i) the recommendation for appointment, remuneration and terms of appointment of auditors of the company;
 - (ii) review and monitor the auditor's independence and performance, and effectiveness of audit process;
 - (iii) examination of the financial statement and the auditors' report thereon;
 - (iv) approval or any subsequent modification of transactions of the company with related parties;
 - (v) scrutiny of inter-corporate loans and investments;
 - (vi) valuation of undertakings or assets of the company, wherever it is necessary;
 - (vii) evaluation of internal financial controls and risk management systems;
 - (viii) monitoring the end use of funds raised through public offers and related matters.
- (2) The Committee may call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company.
- (3) The Committee shall have authority to investigate into any matter in relation to the items specified in sub-section (4) or referred to it by the Board and for this purpose shall have power to obtain professional advice from external sources and have full access to information contained in the records of the company.
- (4) The auditors of a company and the key managerial personnel shall have a right to be heard in the meetings of the Committee when it considers the auditor's report but shall not have the right to vote.
- (5) The Board's report under sub-section (3) of section 134 shall disclose the composition of an Committee and where the Board had not accepted any

recommendation of the Committee, the same shall be disclosed in such report along with the reasons therefor.

Section 188

- 188.** (1) Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no 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) 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:

Provided that no contract or arrangement, in the case of a company having a paid-up share capital of not less than such amount, or transactions not exceeding such sums, as may be prescribed, shall be entered into except with the prior approval of the company by a special resolution:

Provided further that no member of the company shall vote on such special resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party:

Provided also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis.

Explanation.— In this sub-section,—

- (a) the expression “office or place of profit” means any office or place—
 - (i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the

remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

- (ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- (b) the expression “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.

Disclosure Requirements:

Companies Act, 2013

Section 188

- (2) Every contract or arrangement entered into under sub-section (1) shall be referred to in the Board’s report to the shareholders along with the justification for entering into such contract or arrangement.
- (3) Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a special resolution in the general meeting under sub-section (1) 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 and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

Companies (Meetings of Board and its Powers) Rules, 2014

Rules made under Section 188

15. Contract or arrangement with a related party- A company shall enter into any contract or arrangement with a related party subject to the following conditions, namely:-

- (1) 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 the 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 terms, both included as part of contract and not considered as part of the contract;
 - (f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
 - (g) any other information relevant or important for the Board to take a decision on the proposed transaction.
- (2) 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-
- * (3) For the purposes of first proviso to sub-section (1) of section 188, except with the prior approval of the company by a special resolution, a company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into, -
 - (a) as contracts or arrangements with respect to clauses (a) to (e) of subsection (1) of section 188, with criteria as mentioned below-
 - (i) sale, purchase or supply of any goods or materials, directly or through appointment of agent, exceeding ten per cent of the turnover of the

company or rupees one hundred crore, whichever is lower, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;

- (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, exceeding ten per cent. of net worth of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
- (iii) leasing of property of any kind exceeding ten per cent. of the net worth of the company or ten per cent. of turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (c) of sub-section (1) of section 188;

** Amended vide notification dated August 14, 2014*

- (iv) availing or rendering of any services, directly or through appointment of agent, exceeding ten per cent. of the turnover of the company or rupees fifty crore, whichever is lower, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188:

Explanation- It is hereby clarified that the limits specified in sub-clauses (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

- (b) is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188; or
- (c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one per cent. of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation-

- (1) The Turnover or Net Worth referred in the above sub-rules shall be computed on the basis of the Audited Financial Statement of the preceding Financial year.

- (2) In case of a wholly owned subsidiary, the special resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between the wholly owned subsidiary and the holding company.
- (3) The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars, namely:-
- (a) name of the related party;
 - (b) name of the director or key managerial personnel who is related, if any;
 - (c) nature of relationship;
 - (d) nature, material terms, monetary value and particulars of the contract or arrangement;
 - (e) any other information relevant or important for the members to take a decision on the proposed resolution.

16. Register of contracts or arrangements in which directors are interested-

- (1) Every company shall maintain one or more registers in Form MBP 4, and shall enter therein the particulars of-
- (c) contracts or arrangements with a related party with respect to transactions to which section 188 applies.

Penal Provision relevant for Related Party Transactions

Section 188 – Related Party Transactions

- (3) Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a special resolution in the general meeting under sub-section (1) 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 and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.
- (4) Without prejudice to anything contained in sub-section (3), it shall be open to the company to proceed against a **director** or any other **employee** who had entered into

such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

- (5) Any director or any other employee of a company, who had entered into or authorised the contract or arrangement in violation of the provisions of this section shall-
- (i) in case of listed company, be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both; and
 - (ii) in case of any other company, be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees.

Section 2

- (59) “officer” includes any director, manager or key managerial personnel or any person in accordance with whose directions or instructions the Board of Directors or any one or more of the directors is or are accustomed to act;
- (60) “officer who is in default”, for the purpose of any provision in this Act which enacts that an officer of the company who is in default shall be liable to any penalty or punishment by way of imprisonment, fine or otherwise, means any of the following officers of a company, namely-
- (i) whole-time director;
 - (ii) key managerial personnel;
 - (iii) where there is no key managerial personnel, such director or directors as specified by the Board in this behalf and who has or have given his or their consent in writing to the Board to such specification, or all the directors, if no director is so specified;
 - (iv) any person who, under the immediate authority of the Board or any key managerial personnel, is charged with any responsibility including maintenance, filing or distribution of accounts or records, authorises, actively participates in, knowingly permits, or knowingly fails to take active steps to prevent, any default;
 - (v) any person in accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act, other than a person who gives advice to the Board in a professional capacity;
 - (vi) every director, in respect of a contravention of any of the provisions of this Act, who is aware of such contravention by virtue of the receipt by him of any

proceedings of the Board or participation in such proceedings without objecting to the same, or where such contravention had taken place with his consent or connivance;

- (vii) in respect of the issue or transfer of any shares of a company, the share transfer agents, registrars and merchant bankers to the issue or transfer;

Appendix E

Standard List of Documents for related party transactions

a. Below given table provides the broad basis of reviewing certain types of transactions entered between the companies:

Transaction	Audit check
Purchase and sale of goods and services	<ul style="list-style-type: none"> • A formal purchase / sale contract should be entered into between the parties for the goods or services. • Consideration is aligned to the nature of goods supplied or services rendered - there is no undue benefit to one of the companies. • Is the credit period given more than the reasonable credit period that is generally followed in the industry? • Is payment terms includes advance payment and is it in line with industry norms, are similar payment terms accepted with non-related party? • Is there a working sheet for internal costing done for the transaction and is the price drawn on the basis of this working. • Is the mark-up or discount in line with what would have been entered with a third party in similar transaction. • Existence of a third-party quotation, where applicable, and comparison with the quote. • Comparable data from industry database / publications / website for market price and commercial terms. Reference to commodity exchanges may be made, where applicable. <i>(primarily, this information has to be provided by the auditee; where required, the audit team may do an independent check depending on the circumstance and comfort on the document produced)</i> • Check the purchase / sales invoice and debit / credit note along with the pertinent supporting documents based on which the transaction is / will be recorded in the books. • If a similar transaction has been done before with a related or an unrelated party, then that document should be referred. • Existence of an independent valuation report, if applicable. • Bank payment / receipt details - Foreign Inward Remittance Certificate (FIRC), filing with Authorised Dealer. • Letters, emails and other correspondences documenting the terms negotiated between both the companies. • Verify the statutory approvals required for such a transaction – which would have been taken in case of transaction with a third party.
Issue / Purchase / sale of equity /	<ul style="list-style-type: none"> • Board resolution for the quantum and value of shares / debentures to be transacted for both the entities.

Transaction	Audit check
preference shares and debentures	<ul style="list-style-type: none"> • Existence of an independent valuation report for arriving at the consideration to be paid / received. • Compliance to applicable regulatory approval required for such transaction (for example, in case of a listed company, share issuance has to be in accordance to the SEBI/FEMA guidelines). • Agreement for purchase / sale of shares between the companies. • Offer letter, allotment letter, share or debenture certificates, etc. • Bank payment / receipt details – Foreign Inward Remittance Certificate (FIRC), filing with Authorised Dealer. • Letters, emails and other correspondences exchanged between both the entities prior to issuance / purchase of securities.
Loans / ICDs	<ul style="list-style-type: none"> • Is there a board resolution for the lending / borrowing, as the case may be. • Existence of a loan agreement / contract between both the companies. • Agreement / contract signed by both the authorized signatories • If the loan is interest bearing, is the interest pegged on the basis of prevalent market rate at the time of contracting. • If a similar loan has been given to or taken from a third party, the refer to the loan agreement entered with that party to determine the comparability. • If there is no similar loan with any unrelated party by either of the related entities, then the rate of interest and terms & conditions of such loan should be obtained from external sources. Check the documents relating to this information to be obtained by the company – comparable third party data or written confirmation. • If the loan is interest free, then there is adequate commercial reason for providing such a loan. • Description of the method considered for determining the arm’s length pricing. • Assumptions, policies and price negotiations, if any, which have critically affected the determination of arm’s length price. • Record of workings carried out and any other data or document (internal or external) at the time of pricing the deal in terms of establishing its arm’s length nature. • Are there any terms / conditions of the contract which indicate that the transactions are not at arm’s length i.e., not as per the common market / commercial practice. For example, timelines of ambiguity in interest payment terms / repayment schedule. • Is the transaction structured in such a manner that an undue benefit is being made by one of the entities involved. • Verify the statutory approvals (like from RBI) required for such a transaction – which would have been taken in case of transaction with a third party.

Transaction	Audit check
	<ul style="list-style-type: none"> • Bank payment / receipt details - Foreign Inward Remittance Certificate (FIRC), filing with Authorised Dealer. • Copies of documents filed with authorities under SEBI, FEMA or other laws. • Letters, emails and other correspondences documenting the terms negotiated between both the companies.
<p>Guarantees (corporate guarantees, counter guarantees, undertakings, comfort letters, etc.)</p>	<ul style="list-style-type: none"> • Existence of a contract between both the companies relating to the guarantee to be provided by the guarantor. • If there is a guarantee fee/commission charged by guarantor, is it as per the market rate and comparable to what an unrelated third party would have charged – comparable third party data or written confirmation or quotes from FIs/banks on their charges for such guarantees. • If a similar transaction has already executed in the past, then has that been used as the reference point for determining the commission and other terms • In case the comparable data is not available internally, then such information should be sought from external sources between two unrelated parties. • If no fee/commission is charged for the guarantee provided, then the commercial justification of not charging the fee. • Description of the method considered for determining the arm’s length pricing. • Assumptions, policies and price negotiations, if any, which have critically affected the determination of arm’s length price. • Record of workings carried out and any other data or document (internal or external) at the time of pricing the deal in terms of establishing its arm’s length nature. • Is there a board resolution approving the guarantee to be provided and it is not exceeding the limit approved by the shareholders. • Verify the statutory approvals (like from RBI) required for such a transaction – which would have been taken in case of transaction with a third party. • Letters, emails and other correspondences documenting the terms negotiated between both the companies.

Notes:

- i. The documents mentioned above should be contemporaneous / current and existing at the time of transaction.
- ii. Additionally, specific guidelines given in the Companies Act, 2013, should be considered while reviewing loans, ICDs, guarantees and investments.

Appendix F

RPT Approval Matrix:

		Board Approval	Filing of RPT Form	Arms' Length Pricing	DOA Requirement	Additional approval of CEO/CFO/D&V Ps on RPT form	Other Approvals (RPT Team)
1	Subsidiary of AM Group	Needed	Needed	Needed	Needed	Not Needed	Needed
2	Subsidiary of NSC Group	Needed	Needed	Needed	Needed	Not Needed	Needed
3	Subsidiary of AMNSI	Not needed	Needed	Needed	Needed	Needed	Needed
4	Subsidiary of AMIPL	Not needed	Needed	Needed	Needed	Needed	Needed
5	Associate company of AM or NSC Which is not a subsidiary of AM or NSC and 1. Shareholding is more than 20% and up to 50% by AM or NSC; or 2. If notified by AM or NSC as related party	Not needed	Needed	Needed	Needed	Needed	Needed