



**POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS  
AS ALSO DEALING WITH RELATED PARTY TRANSACTIONS**

## POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AS ALSO DEALING WITH RELATED PARTY TRANSACTIONS

### *Preface:*

<b>TITLE</b>	<b>Policy on Materiality of Related Party Transactions as also dealing with Related Party Transactions</b>
<b>VERSION NUMBER</b>	<b>3.0</b>
<b>EFFECTIVE DATE</b>	<b>1<sup>st</sup> October, 2014</b>
<b>AUTHORISED BY</b>	<b>Board of Directors</b>
<b>REVISIONS</b>	<b>Two</b>
<b>DATE OF LAST REVIEW / REVISION</b>	<b>21<sup>st</sup> March, 2020</b>
<b>REVISION EFFECTIVE DATE</b>	<b>21<sup>st</sup> March, 2020</b>

### *Background:*

This paper, inter-alia, sets out the Company's policy on dealing with Related Party Transactions which 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 Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. This 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*

**“Act”** means the Companies Act 2013 and rules prescribed thereunder, as amended from time to time.

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

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

**“Company”** means JSW Energy Limited.

**“Control”** means control as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended from time to time.

**“Key Managerial Personnel”** means key managerial personnel as defined under the Companies Act, 2013 and Indian Accounting Standards, as amended from time to time.

**“Listing Regulations”** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

**“Material Related Party Transaction”** means a transaction with a related party if the transaction / transactions 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.

*Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.*

**“Policy”** means this Policy on materiality of related party transactions as also dealing with related party transactions.

**“Related Party”** means related party as defined under the Act and the Listing Regulations.

**“Related Party Transaction”** means a transfer of resources, services or obligations between the 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

a "transaction" with a Related Party shall be construed to include a single transaction or a group of transactions in a contract.

**“Relative”** means relative as defined under the Act.

*Dealing with Related Party Transactions:*

**A. Approval by Audit Committee:**

1. The Audit Committee is required to approve transactions or any subsequent modification thereof of the Company with Related Parties.
2. *The aforesaid requirement would not apply to a transaction, other than a transaction referred to in section 188 of the Act, between the Company and its wholly owned subsidiary company.*
3. *Further, in case of transaction, other than transactions referred to in section 188 of the Act, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board.*
4. *Any transaction involving an amount not exceeding Rs.One crore entered into by a director or officer of the Company may be ratified by the Audit Committee within three months from the date of the transaction, failing which such transaction would be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the Company against any loss incurred by it.*
5. 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, after obtaining approval of the Board, shall lay down the criteria for granting 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 about the need for such omnibus approval and that such approval is in the interest of the Company;
  - c. Such omnibus approval shall specify the details as required under the Act and Listing Regulations.
  - d. Where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.One crore per transaction.
  - e. Audit Committee shall review, atleast on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approval given.

- f. Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.
- g. Transactions in respect of selling or disposing of the undertaking of the Company, transactions in respect of which powers can be exercised only by the Board as also such transactions which are / may be expressly prohibited by the Board cannot be undertaken through omnibus approval.

**B. Approval by Board:**

All Related Party Transactions which are in ordinary course of business and on an arm's length basis are exempt from prior approval of the Board. Conversely, transactions which are not in the ordinary course of business or not as per arm's length pricing or both shall require prior approval of the Board.

**C. Approval by Shareholders:**

Material Related Party Transactions shall require approval of the Shareholders.

*Threshold limits for dealing with Related Parties:*

The following Related Party Transactions which are not in ordinary course of business and / or arm's length basis or both, if exceeding the following threshold limits, require not only prior approval of the Board but also of the Shareholders of the Company:

- (i) sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover of the Company;
- (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the Company;
- (iii) leasing of property any kind amounting to ten per cent or more of turnover of the Company;
- (iv) availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the Company;

Explanation - It is hereby clarified that the limits specified in sub-clause (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.

- (v) appointment to any office or place of profit in the Company, its subsidiary company or associate company at a monthly remuneration exceeding two and a half lakh rupees:

- (vi) payment of remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company exceeding one percent of the net worth.

Explanation- (1) The turnover or net worth referred to above shall be computed on the basis of the audited financial statement of the preceding financial year.

*Shareholders' resolution as referred above would not be required 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 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.

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 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.

#### *Related Party Transactions should be at Arm's Length Price (ALP):*

- All Related Party Transactions should be adequately supported by contracts or purchase orders / work order / sales order and documentations to justify ALP.
- If ALP cannot be justified for any transaction, then approval should be taken from Audit Committee, Board and shareholders, as applicable.

#### *Reporting and disclosure of Related Party Transactions:*

- Board's report shall contain details of Related Party Transactions as required under the Companies Act, 2013.
- 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 to the Stock Exchange along with the compliance report on corporate governance on a quarterly basis, details of all Material Related Party Transactions.
- The Company shall disclose the policy on dealing with Related Party Transactions on its website and provide a web link in the Annual Report.
- The Company shall disclose *transactions of the Company with any person or entity belonging to the promoter / promoter group which hold(s) ten percent or more shareholding in the Company*, in the format prescribed in the relevant accounting standards for annual results in the Annual Report.
- This Policy will be communicated to all operational employees and other concerned personnel of the Company.

#### *Review of The Policy*

This Policy shall be reviewed by the Board at least once every three years and updated accordingly.