

 **JSW HOLDINGS LIMITED**  
**POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS**

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 Companies Act, 2013 and the Listing Agreement. 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 Listing agreement and Companies Act, 2013.

**“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 Accounting Standards, as the case may be, and includes:

- (i) Managing Director, or Chief Executive Officer or manager and in their absence, a Whole-time Director;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer

**“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.

**“Policy”** means this Related Party Transaction Policy.

**“Related Party”** means related party as defined under the Companies Act 2013 and in Clause 49 of the Listing Agreement as under:

**Section 2(76) of the Companies Act, 2013**

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

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- (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:  
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. a holding, subsidiary or an associate company of such company; or
  - b. a subsidiary of a holding company to which it is also a subsidiary;
- (ix) Director, other than an independent director, or key managerial personnel of the holding company or his relative with reference to a company.

Clause 49 of Listing Agreement

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.

**“Related Party Transaction”** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged and includes:

- (i) sale, purchase or supply of any goods or materials;
- (ii) selling or otherwise disposing of, or buying, property of any kind;
- (iii) leasing of property of any kind;
- (iv) availing or rendering of any services;
- (v) appointment of any agent for purchase or sale of goods, materials, services or property;
- (vi) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (vii) underwriting the subscription of any securities or derivatives thereof, of the company

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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 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)

**Interpretation**

- a) Any words used in this policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made thereunder, SEBI Act or Rules and Regulations made thereunder, Listing Agreement, Accounting Standards or any other relevant legislation / law applicable to the Company.
- b) In case of any dispute or difference upon the meaning/interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final. In interpreting such term /provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.

**Requirements of the respective regulations:**

**Companies Act 2013 (Act):**

Related party transactions which are not in ordinary course of business and/or arms length basis, if within the threshold limits prescribed for the specified transaction under the Act requires prior approval of the Board.

Related party transactions which are not in ordinary course of business and/or arms length basis, if exceeding the threshold limits prescribed for the specified transaction under the Act, requires not only prior approval of the Board but also of the Shareholders of the Company.

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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.

**Clause 49 of Listing Agreement:**

As per SEBI circulars dated 17<sup>th</sup> April 2014 and 15<sup>th</sup> September 2014, amending Clause 49 of the Equity Listing Agreement effective from 1<sup>st</sup> October 2014, the requirements for related party transactions are:

- ✓ Formulate a policy on materiality of related party transactions and dealing with related party transactions
- ✓ All related party transactions shall require prior approval of the Audit Committee. However, 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 special resolution and all related parties shall abstain from voting on such resolution irrespective of whether the entity is a party to the particular transaction or not.
- ✓ All existing material related party contracts or arrangements as on the date of this circular which are likely to continue beyond 31<sup>st</sup> March 2015 shall be placed for approval of shareholders in the first General Meeting subsequent to 1<sup>st</sup> October 2014.
- ✓ For the purpose of this clause, material transactions are those transactions with a related party which individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the Company as per last audited financial statements.

Transactions covered under Clause 49 are:

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

**AS 18 – Disclosure of the related party transactions:**

The accounting standard 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 AS 18:

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- ✓ 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
- ✓ Management services provided by one company to another
- ✓ Goods manufactured under a patent owned by a fellow subsidiary which makes no charge
- ✓ Guarantees to third parties in respect of other group companies

**Transactions with related parties:**

- All Transactions 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)
- All Transactions entered with Related parties after 1<sup>st</sup> October 2014 will be done after prior approval of Audit Committee. However, 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

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(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, atleast 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

The approval of the Audit Committee can be granted by way of a circular resolution

**Clause 49 of Listing agreement**

- For the Transactions which are not in Ordinary course of Business or not as per Arm's Length pricing or both will be put up for prior approval to Board and Shareholders (Section 188 of Companies Act).
- All Material related party contracts live on 1<sup>st</sup> April 2014 and continuing after 31<sup>st</sup> March 2015, will be presented to Shareholders in first Annual General Meeting after 1<sup>st</sup> October 2014 for their approval (Clause 49 of Listing agreement).
- After 1<sup>st</sup> October 2014, all Material Related Party Transactions will be ratified by the Shareholders through special resolutions where all related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not (Clause 49 of Listing Agreement).

**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.

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- 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 special resolution is to be passed to abstain from voting on special resolution and only disinterested shareholder and disinterested related party shall be eligible to vote
- However, Members who are related parties to abstain from voting on special resolution in respect of approval of material Related Party Transaction and only disinterested shareholder (not related party) shall be eligible to vote.

**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 or sales order and documentations to justify ALP.
- If ALP cannot be justified for any transaction, then, only after the approval from the Audit Committee, approval should be taken from Board and shareholders, if applicable.

**Reporting and disclosure of related party transactions:**

- Director's report shall contain details of Related Party Transactions as required under the Companies Act, 2013.
- 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 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.