



STEEL AUTHORITY OF INDIA LIMITED

**POLICY FOR RELATED
PARTY TRANSACTIONS,
2015**



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I. PREAMBLE

1. SAIL is committed to upholding the highest level of ethical and legal conduct in fulfilling its responsibilities. A 'Related Party Transaction' may be a cause of actual or perceived conflicts of interest(s) of the Directors, Senior Management, Associates, Organisation(s) where Company has management control, etc. vis-a-vis with the interest of the Company.
2. The Board of Directors (the "Board") of Steel Authority of India Limited (the "Company" or "SAIL"), has adopted this Policy with regard to 'Related Party Transactions' (RPT), in compliance with the requirements of Listing Agreement with the Stock Exchanges (the Listing Agreement) and, the same is in line with provisions of Section 188 of the Companies Act 2013(the "Act") and Rules made there under, in order to ensure transparency and procedural fairness of such transactions.
3. The Policy has been made based on the provisions related to 'Related Party Transactions' in Companies Act, 2013 and Listing Agreement as on date. Any subsequent amendment in these provisions would ipso-facto apply to this Policy.

II. OBJECTIVE

1. This Policy is to ensure the approval and reporting of 'Related Party Transactions', as applicable, between the Company and any of its Related Party. The Policy is designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct and reporting of the 'Related Party Transactions', in terms of the applicable laws.
2. The Audit Committee of SAIL Board ("Audit Committee"), shall review, approve and ratify 'Related Party Transactions' based on this Policy.

III. TRANSACTIONS COVERED BY THIS POLICY

All transactions falling within the definition of 'Related Party Transactions' shall be covered under this Policy.

IV. DEFINITIONS

- 1) "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.



- 2) **“Associate Company”**, means a company in which SAIL has a significant influence, but which is not a subsidiary company of SAIL and includes a joint venture company.

Explanation.—“significant influence” means control of at least twenty percent of total share capital, or of business decisions under an agreement.

Total Share Capital means the aggregate of the paid-up Equity Share capital and Convertible Preference Share capital.

- 3) **“Board”** means the Board of Directors of Steel Authority of India Limited, the Company.

- 4) **“Control”** includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner:

- 5) **“Key Managerial Personnel”** includes

- (i) the Chairman, Chief Executive Officer or the Managing Director or the Manager;
- (ii) the Company Secretary;
- (iii) the Whole-time Director;
- (iv) the Chief Financial Officer

- 6) **“Manager”** means an individual who, subject to the superintendence, control and direction of the Board of Directors, has the management of the whole, or substantially the whole, of the affairs of the Company, and includes a director or any other person occupying the position of a Manager, by whatever name called, whether under a contract of service or not;

- 7) **“Material Related Party Transactions”** means those transactions entered into by the Company with a Related Party, which 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.

- 8) **“Relatives”** - As defined under section 2(77) of the Companies Act, 2013 read with Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014 as amended from time to time, 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 in the manner as prescribed under Terms of Rule 4 (Annexure-A).

- 9) **“Related Party”** - A Related Party is a person or entity as defined under Section 2(76) of the Companies Act 2013 (Annexure-B) and also under sub-clause VIIB



of the Clause 49 (Annexure-C) of the Listing Agreement, as amended from time to time.

- 10) “**Related Party Transaction**” means a Transaction/ contract/ arrangement, between the Company and its Related Party(ies), which falls under Section 188 of the Act or Clause 49 of the Listing Agreement or Accounting Standard 18 (Annexure- D). A transaction with a Related Party shall be construed to include single transaction or a group of transactions in a contract.

The terms which have not been defined in this Policy but defined under the Companies Act, 2013/Listing Agreement shall have the meaning contained therein.

V. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

Each Director and Key Managerial Personnel is responsible for providing notice to the Company, of any potential ‘Related Party Transaction’ involving him or her or his or her Relative(s), including any additional information about the transaction. The written notice may be provided to the Company Secretary. Audit Committee will determine whether the transaction does, in fact, constitute a ‘Related Party Transaction’ requiring compliance with this Policy.

VI. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

1) By the Audit Committee of the Board:

- i) Every ‘Related Party Transaction’ shall have prior approval of the Audit Committee.
- ii) While considering any transaction, the Committee shall take into account all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company, or any other relevant matters.
- iii) The Audit Committee may grant omnibus approval for ‘Related Party Transaction’s subject to fulfillment of all the conditions which are (a) repetitive in nature; (b) in ordinary course of business; (c) are on arm’s length basis, (d) within the material limits and (e) in the interest of the Company. However, for deciding the arm length transaction and/or ordinary course of business, the Audit Committee may seek the relevant material and information from the Company. The Audit Committee shall lay down criteria for granting omnibus approval in line with this policy. The omnibus approval where granted shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
- iv) The approval shall specify the following:
 - a) Name(s) of the Related Party.



- b) Nature of transaction.
- c) Maximum amount of transaction that can be entered into.
- d) Period of transaction.
- e) The indicative base price/current contracted price and the formula for variation in the price, if any.
- f) Any other condition as deemed fit and proper by the Audit Committee.

Provided that where the need for the RPT cannot be foreseen and details given above are not available, the Audit Committee may grant omnibus approval for such transaction subject to their value not exceeding Rs 1 crore per transaction.

- v) The Audit Committee shall review, at least on a quarterly basis, the details of RPT's entered into by the company pursuant to each of the omnibus approval given.
- vi) Such approval of Audit Committee may be obtained by way of circular resolution or at a duly convened meeting of the Audit committee.

GENERAL

- i) As per Listing Agreement, approval of Audit Committee is not required in the following cases of 'Related Party Transactions':
 - (a) transactions entered into between two government companies;
 - (b) 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.

However, as the same need to be approved by the Board under the Companies Act, the above will also be recommended to the Board for approval through the Audit Committee.

- ii) Government Company shall have the same meaning as defined in Section 2(45) of the Companies Act, 2013.
- iii) In terms of explanation (ii) of the sub-clause VII of the clause 49 of the Listing Agreement, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

2) By the Board of Directors:

- (i) All cases where the 'Related Party Transactions' are not in the ordinary course of business and/or are not on arm's length basis but within the prescribed limits as per the Companies (Meetings of Board & its Powers) Rules, 2014, shall be brought before the Board of Directors for approval through Audit Committee.



- (ii) The following Related Party Transactions namely
- (a) 'Related Party Transactions' that are beyond the prescribed limits as per Companies (Meetings of Board & its Powers) Rules, 2014 and being not in the ordinary course of business of the company and/ or not on an arm's length basis,
 - (b) 'Material Related Party Transactions',
 - (c) Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or arm's length basis and decides to refer the same to the Board for approval,
 - (d) Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval,
 - (e) Transaction entered into between two Government companies,
 - (f) 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.

requiring the approval of the shareholders, shall also need to be approved by the Board.

- (iii) Such approval of the Board may be obtained at a duly convened meeting.
- (iv) It is made clear that Director/s falling under the definition of Related Party(ies) shall abstain from voting in the meeting of Board of Directors where the agenda relating to the respective Related Party Transaction is put to vote.

3) By the Shareholders:

- (i) All 'Related Party Transactions' that are beyond the prescribed limits as per Companies (Meetings of Board & its Powers) Rules, 2014 and being not in the ordinary course of business of the company and/ or not on an arm's length basis, and
- (ii) All 'Material Related Party Transactions', shall require approval of shareholders through Special Resolution (after due approval by the Board), as per the provisions of the Listing Agreement.
- (iii) For this purpose, all member(s) falling under the definition of Related Party(ies) shall abstain from voting irrespective of whether the member(s) is a party to the particular transaction or not.



VII. POLICY ON MATERIALITY OF ‘RELATED PARTY TRANSACTIONS

A transaction with a Related Party shall be considered material 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. The approval and review process followed will be same as mentioned at Para VI above.

VIII. DISCLOSURES

1. Details of all material transactions with Related Parties are to be disclosed quarterly along with the compliance report on Corporate Governance being submitted to the Stock Exchange(s) where the shares of the Company are listed.
2. The Company shall disclose the Policy relating to Related Party Transactions on its website and also provide a web link thereto in the Annual Report.

IX. RELATED PARTY TRANSACTIONS NOT APPROVED AS PER THIS POLICY

In the event the Company becomes aware of a transaction with a Related Party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate. In case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, may direct for additional actions including, but not limited to, discontinuation of the transaction, and/or recovery of compensation for the loss suffered by the Company from the concerned Director or Key Managerial Person, etc. and Board of Directors would be apprised of the same. However, where ratification of Related Party Transactions is to be done, the approval of the Board of Director and/or shareholders, if required, would be sought.



Rule 4 of Companies (Specification of Definitions Details) Rules, 2014

List of relatives in terms of clause (77) of section 2 of the Companies Act, 2013-
A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-

1. Father:
Provided that the term “Father” includes step-father.
2. Mother:
Provided that the term “Mother” includes the step-mother.
3. Son:
Provided that the term “Son” includes the step-son.
4. Son’s wife.
5. Daughter.
6. Daughter’s husband.
7. Brother:
Provided that the term “Brother” includes the step-brother;
8. Sister:
Provided that the term “Sister” includes the step-sister.



Annexure - B

“Related Party” as per Section 2(76) of the Companies Act, 2013

- (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 is a member or Director;
- (v) a public company in which a Director or Manager is a Director or 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 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) 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) such other person as may be prescribed under the Companies Act, 2013 from time to time.



Annexure - C

Related Party as per Clause 49 VII B of Listing Agreement

For the purpose of Clause 49(VII) B, an entity shall be considered as related to a company if :

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



Related Party Transactions as per Companies Act, 2013

(A) The following are Related Party Transactions as per section 188(1) of the Companies Act, 2013:

- (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;

(B) **Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014:**

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 sub-section (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;
 - (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 subsection (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.”

Related Party Transactions as per Clause 49 VIIA of the Listing Agreement.

A ‘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.

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

Related Party Transaction’s as per Accounting Standard 18

- i. purchases or sales of goods (finished or unfinished);
- ii. purchases or sales of fixed assets;
- iii. rendering or receiving of services;
- iv. agency arrangements;
- v. leasing or hire purchase arrangements;
- vi. transfer of research and development;
- vii. licence agreements;
- viii. finance (including loans and equity contributions in cash or in kind);
- ix. guarantees and collaterals; and
- x. Management contracts including for deputation of employees.