

NMDC STEEL LIMITED

**REGD OFFICE: C/O NMDC IRON & STEEL PLANT, POST: NAGARNAR
DISTRICT BASTAR, PIN – 494001, CHHATTISGARH.
CIN: U27310CT2015GOI001618**

Policy on Materiality and dealing with Related Party Transactions

Pursuant to Regulation 23 of SEBI (Listing Obligations and
Disclosure Requirements) Regulations, 2015.

Policy on materiality & dealing with Related Party Transactions

I. Introduction

This Policy shall be called the 'Policy on materiality of related party transactions & dealing with related party transactions' of NMDC Steel Limited ("NSL").

This Policy has been framed in line with the provisions of the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and guidelines issued by MCA/SEBI from time to time. The Company in order to comply with the said Act & Regulations is committed to uphold the highest level of ethical and legal conduct in fulfilling its responsibilities. The Company recognizes that "Related Party Transactions" can present actual or perceived conflict of interest of the Directors, Key Managerial Personnel etc. with the interest of the Company.

Accordingly, the Board in order to comply with the above Act & Regulations prevailing on this Policy date, adopted this policy on the Materiality of Related Party Transactions and Dealing with Related Party Transactions (RPT Policy).

II. Applicability

This Policy shall be applicable to all transactions between the Company and its related parties.

III. OBJECTIVE

The policy is intended to ensure the proper approval and reporting of transactions between the Company and Related Party. This policy shall supplement other policies of the Company that may be in force for identification, approval and/or reporting of transactions with related parties.

Based on this Policy and in terms of the requirements under the above provisions, the Audit Committee of the Company shall review and approve all Related Party Transactions. Any exception to this Policy should be consistent with the provisions of the Companies Act, 2013 and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and shall be approved by the Board of Directors.

IV. APPLICABILITY:

This Policy covers transactions which includes any contract or agreement or arrangements between the Company and its Related Party(ies). The Audit Committee / Board of Directors shall accord prior approval to all Related Party Transactions except to the transactions entered between the Company and related party in ordinary course of business or on an arm's length basis.

V. DEFINITIONS:

- "Arm's length transaction" means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest as per the provisions of the Companies Act, 2013.
- "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 twenty percent of total voting power, or control of or participation in business decisions under an agreement. Further, "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

- "Audit Committee" means "Audit Committee" of the Board of the Company constituted from time to time as per the provisions under section 177 of Companies Act, 2013 and Regulation 18 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- "Board of Directors" or "Board" means the Board of Directors of NMDC Steel Limited.
- "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 shareholding agreements or voting agreements or management rights or in any other manner.

Provided that a Director or officer of the Company shall not be considered to be in control over such Company, merely by virtue of holding such position.

- "Government Company" means any company in which not less than fifty-one per cent of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments and includes a company which is a subsidiary company of such a Government company; (Section 2(45) of the Companies Act, 2013).
- "Holding Company" in relation to one or more other companies, means a company of which such companies are subsidiary companies; (Section 2(46) of the Companies Act, 2013).
- "Key Managerial Personnel" (KMP) in relation to a company, means (i) the Chief Executive Officer or the Managing Director or the Manager (ii) the Company Secretary; (iii) the Whole-time Director; and (iv) the Chief Financial Officer and (v) such other officer as may be prescribed. (Section 2(51) of the Companies Act, 2013).

- "Material Related Party Transactions" – A transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rupees One Thousand Crore or Ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements, whichever is lower. [Sub-Regulation (1) of Regulation 23 of the SEBI {Listing Obligations and Disclosure Requirements } Regulations, 2015]
- "Material Modifications" shall mean modification in the value of an existing related party transaction, which has an effect of change in the value of original contract by $\pm 25\%$.
- "Ordinary Course of Business" means a transaction which is carried out in the normal course of business envisaged in accordance with the Memorandum of Association, Articles of Association or any other applicable factors like market conditions, industry practices etc.
- "Policy" means Related Party Transactions Policy of NMDC Steel Limited.
- "Related Party" - An entity shall be considered as related to the Company if: (i) such entity is a related party as defined under Section 2(76) of the Companies Act, 2013; or (ii) such entity is a related party under the applicable accounting standard(s).

Provided that: (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or (b) any person or any entity, holding 20% or more of the equity share capital of the Company (10% or more with effect from April 1, 2023), either directly or on a beneficial interest basis under Section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.

As per Section 2(76) of the Companies Act, 2013 'Related Party' is defined as follows:

- 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 on whose advice, directions or instructions a director or manager is accustomed to act;

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

viii.) Any company which is ----

(a) holding, subsidiary or an associate company (includes joint venture) of such company; or

(b) subsidiary of a holding company to which it is also a subsidiary;

(c) an investing company or the venturer of the company which implies a body corporate whose investment in the Company would result in the company becoming an associate company of the body corporate.

(ix) A Director, other than an independent director, or Key Managerial Personnel of the holding company or his relative;

(x) such other person as may be prescribed under the Companies Act, 2013 or any other statutory provisions for the time being in force.

Related party as per Ind AS 24:

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person;

i.) has control or joint control of the reporting entity;

ii.) has significant influence over the reporting entity; or

iii.) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) an entity is related to a reporting entity if any of the following conditions applies;

i.) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii.) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii.) Both entities are joint ventures of the same third party.

iv.) One entity is joint venture of a third entity and the other entity is an associate of the third entity.

v.) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related

to the reporting entity.

vi.) The entity is controlled or jointly controlled by a person identified in (a).

(vii.) A person identified in (a) (i) has significant influence over the entity or is a member in the key management personnel of the entity (or of a parent of the entity).

(viii.) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

"Relative" under section 2(77) of the companies Act, 2013 and Rules there under is defined as follows:-

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 such manner as may be prescribed, which is as follows;
 - 1) Father (including step-father)
 - 2) Mother (including step-mother)
 - 3) Son (including step-son)
 - 4) Son's wife
 - 5) Daughter
 - 6) Daughter's husband
 - 7) Brother (including step-brother)
 - 8) Sister (including step-sister)

"Related Party Transaction"("RPT") means all the transactions construed to include single transaction or a group of transactions between the Company on one hand and one or more related party/ parties on the other hand for transfer of resources, services or obligations, regardless of whether a price is charged. Such transactions includes contracts, arrangements and transactions as envisaged in Section 188 of the Companies Act, 2013 or Clause (zc) of Sub-regulation(1) of Regulation 2 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, or applicable Accounting Standards.

"Subsidiary Company" means subsidiary company as defined in Section 2(87) of the Companies Act, 2013.

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

VI. Review and approval of Related Party Transactions:

Audit Committee:

As per Regulation 23(2) of the SEBI (Listing Obligations and Disclosure

Requirements) Regulations; 2015, all Related Party Transactions shall require prior approval of the Audit Committee.

The following details shall be provided to the Audit Committee for its approval:-

- i. the name of the related party and nature of relationship;
- ii. the nature, duration of the contract and particulars of the contract or arrangement;
- iii. Type, material terms of the contract or arrangement including the value, if any;
- iv. any advance paid or received for the contract or arrangement, if any;
- v. the manner of determining the pricing and other commercial terms, both included or part of contract and not considered as part of the contract;
- vi. Value of the proposed transaction as a percentage of the annual consolidated turnover of the Company for immediately preceding financial year and for related party transaction involving a subsidiary, such percentage calculated on the basis of annual turnover of subsidiary on a standalone basis;
- vii. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
 - i) details of the source of funds in connection with the proposed transaction;
 - ii) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security;
 - iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
 - viii) Justification as to why the RPT is in the interest of the listed entity;
 - ix) A copy of the valuation or other external party report, if any such report has been relied upon;
 - x) Percentage of the counter-party's annual consolidated turnover

that is represented by the value of the proposed RPT on a voluntary basis;

- xi) 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
- xii) Any other information relevant or important for the Audit Committee / Board to take a decision on the proposed transaction.

Omnibus Approval:- However, as per Regulation 23(3) of the SEBI (LODR) Regulations, 2015, the Audit Committee may grant omnibus approval for RPTs proposed to be entered into by the company subject to the following conditions:

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.

The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company.

Such omnibus approval shall specify the following:

1. Name of the related party
2. Nature of Transaction
3. Period of Transaction
4. Maximum amount of Transaction that shall be entered into
5. The indicative base price/current contracted price and the formula for variation in price, if any, and
6. Such other conditions as the Audit Committee may deem fit.

Provided that where the need for RPT 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.

Validity of Omnibus Approval: Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year from the date of approval.

Review of Omnibus Approval : The details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given, shall be reviewed by the Audit Committee at least on a quarterly basis.

b. **Board and Shareholders:**

(i) **As per the SEBI (LODR) Regulations, 2015:**

As per Sub-Regulation (4) of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, all **material Related Party Transactions** shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions irrespective whether the entity is a related party to the particular transaction or not.

Transactions exempted for taking approvals of Audit Committee, Board and Shareholders:

- (i) Transactions entered into between two Government Companies;
- (ii) 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:

(ii) As per the Companies Act, 2013;

As per section 188(1) of the Companies Act, 2013 read with applicable rules to the Companies Act, 2013 prior approval of Board and/or shareholders is required for the following Related Party Transactions:

- a. Related Party Transactions which are not in the ordinary course of business or not on arm's length basis shall be entered with the prior approval of the Board of Directors given by a resolution at a meeting of the Board.
- c. Related Party Transactions which are not in the ordinary course of business or not on arm's length basis and are beyond the threshold limits as below, shall be entered with prior approval of the shareholders:-

S N	Nature of transaction as per Section 188 of the Companies Act, 2013	Threshold Limit
1	Sale, purchase or supply of any goods or materials	Ten percent or more of the turnover of the Company.
2	Selling or otherwise disposing of, or buying, property of any kind	Ten percent or more of net worth of the Company.
3	Leasing of property of any kind	Ten percent or more of the turnover of the company.
4	Availing or rendering of any services	Ten percent or more of the turnover of the company.
5	Appointment of any agent for purchase or sale of goods, materials, services or property.	As per limits prescribed above in point 1, 2 & 4 above.
6	Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company;	At a monthly remuneration exceeding ₹2.50 lakh per month.
7	Underwriting the subscription of any securities or derivatives thereof, of the company.	Exceeding 1% of the Net Worth of the Company.

*The Turnover or Net worth referred above shall be computed on the basis of the Audited Financial Statements of the preceding financial year

**Applies to transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

The following details shall be provided to the Board for its approval:-

- i. The name of the related party and nature of relationship;
- ii. The nature, duration of the contract and particulars of the contract or arrangement;
- iii. The material terms of the contract or arrangement including the value, if any;
- iv. Any advance paid or received for the contract or arrangement, if any;
- v. The manner of determining the pricing and other commercial terms, both included or part of contract and not considered as part of the contract;
- vi. 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
- vii. Any other information relevant or important for the Board to take a decision on the proposed transaction.

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.

In case of shareholders approval, no member of the Company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party.

RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED

Where any contract or arrangement is entered into by a director or any other employee with a related party, without obtaining the consent of the Board or approval by resolution in the general meeting the matter shall be reviewed by the Audit Committee. The Audit committee shall on the basis of all relevant facts and circumstances evaluate the options including ratification, revision or termination of such related party transaction. The related party transaction shall be ratified by the Audit Committee/Board/shareholders within three months of entering of such transaction and if it is not ratified, such contract or arrangements 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 authorized by any other director; the directors concerned shall indemnify the company against any loss incurred by it.

In connection with review of a related party transaction, the Audit Committee/Board/Shareholders has authority to modify or waive any procedural requirement of this policy in the best interest of the Company.

IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTION;

On an annual basis, the Company Secretary shall request a disclosure from each Director and each Key Managerial Personnel and other related party/parties within the meaning of sections 2(76), 184 and 189 of the Companies Act, 2013, in the prescribed proforma giving following details:-

- 1) Names of his / her Relatives;
 - 2) Partnership firms in which he / she or his / her Relative is a partner;
 - 3) Private Companies in which he / she or his/ her Relative is a member or Director;
 - 4) Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
 - 5) Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions; and
 - 6) Any person on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in a professional capacity)
- Each Director and Key Managerial Personnel are responsible for promptly notifying the Company Secretary in case of any changes/ updates occurring in the related party/ parties and in respect of details pertaining to such related parties declared by them.
 - Any individual appointed/ elected as a Director or Key Managerial Personnel shall be responsible to promptly complete and submit to the Company Secretary, the disclosure declaration referred above.
 - The Company should receive such notice of any potential Related Party Transaction in advance so that the Audit Committee/ Board have sufficient time to review information pertaining to the proposed transaction.
 - The Company Secretary shall be responsible to maintain register/s containing the particulars of:-
 - 1) Company or Companies or bodies corporate, firm or other association of individuals, in which any Director has any concern or interest, as mentioned under section 184(1).
 - 2) Contracts or arrangements with a body corporate or firm or other entity as mentioned under section 184(2), in which any Director is, directly or indirectly, concerned or interested, and
 - 3) Contracts or agreements with any related party with respect to the transactions stated under section 188 of the Companies Act, 2013.

The register shall be updated whenever necessary and shall be reviewed at least once a year jointly by the Company Secretary and Chief Financial Officer.

8.0 REGISTERS AND DISCLOSURES:

- a. Details of all material transactions with related parties shall

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.

- b. Disclosure of the Policy: The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.
- c. Every contract or arrangement entered with Related Parties with the approval of Board/Shareholders in line with Section 188 of the Companies Act, 2013 shall be referred in the Board's Report to the shareholders along with the justification for entering into such contract or arrangements.

The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any related party.

Nature of related party relationship, relevant information about the transaction and outstanding balance, including commitments, provisions for bad and doubtful debts related to the amount outstanding and expense recognised in respect of bad and doubtful debts from related party as per Accounting Standards.
