



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

Policy Title	Policy on Materiality of Related Party Transactions as also dealing with Related Party Transactions
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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.

“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. For determination of Arm's Length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.

“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.

“Group Structure” means the Company, its subsidiaries, associates and joint ventures of the Company.

“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 Modification” means any modification as defined by the Audit Committee and disclosed as part of the Policy and will include any modification for an amount more than 10% of any particular Related Party Transaction which has already been approved by the Audit Committee, the Board or the Shareholders, as the case may be.

“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 the thresholds specified in Schedule XII of the Listing Regulations.

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.

“Ordinary course of business” means a usual transaction if it is entered into in relation to provision of goods or services in which the Company regularly deals or where the transaction is in respect of goods or services in which the counter party normally deals, and the Company repeatedly enters into such transactions for the purpose of its business, or the transaction is necessary, normal and incidental to business.

In addition, this includes transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per its memorandum of association and its articles of association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

“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 (RPT)” shall have the meaning as defined under the Listing Regulations or as envisaged under the applicable provisions of the Act and includes a transaction involving transfer of resources, services or obligations between:

- i. the Company and any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- ii. the Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries

regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.

Provided that the following shall not be a related party transaction:

- a. the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- b. the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.
- c. retail purchases from the Company or its subsidiary by the Directors or Key Managerial Personnel of the Company or its Subsidiary, and Relatives of such Directors or Key Managerial Personnel without establishing a business relationship and at the terms which are uniformly applicable/offered to all the employees, Directors, Key Managerial Personnel and Relatives of Directors or Key Managerial Personnel.

“Relative” means relative as defined under the Act.

“SEBI” means Securities and Exchange Board of India.

All capitalized terms used in this Policy but not defined herein shall have the meaning assigned to such term in the Act and the Listing Regulations, as amended from time to time.

Dealing with Related Party Transactions

Identification of Related Parties and Related Party Transactions:

The identification of Related Parties should be carried out based on the disclosures received from the Directors / Key Managerial Personnel / Shareholders of the Company and by reviewing the shareholding and the Group Structure.

- i. Every Promoter, Director and Key Managerial Personnel (KMP) of the Company,
 - a. at the time of appointment;
 - b. periodically – as required by the Company or applicable law
 - c. whenever there is any change in the information already submitted,

shall provide requisite information about his / her Relatives and all firms, companies, body corporates, or other association of individuals, in which such promoter, director or KMP is interested, whether directly or indirectly, to the Company. Every such promoter, director and KMP shall also provide any additional information about the transaction that the Board / Audit Committee may reasonably request.

The list of Related Parties shall be reviewed on a quarterly basis jointly by the financial controller and the Company Secretary. Any changes in the list during the financial year shall be made as and when the Company receives information in this regard from the Directors, Key Managerial Personnel, Shareholders and on the occurrence of any subsequent changes in the Group Structure.

A. Approval by Audit Committee:

1. The Audit Committee is required to approve all related party transactions and any subsequent modification thereof.
2. Only those members of the Audit Committee, who are independent directors, shall approve related party transactions; Any member of the Audit Committee having a potential interest in the proposed related party transaction, will recuse herself / himself and abstain from the discussion and voting on the proposal for approval of the said transaction.
3. A related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds the lower of the following:
 - (i) ten percent of the annual standalone turnover of the Subsidiary as per the last audited financial statements of the Subsidiary; or
 - (ii) the Company's threshold for material related party transactions as specified in Schedule XII of the Listing Regulations.

Where any subsidiary does not have audited financial statements for a period of at least one year, prior approval of the Audit Committee will be required if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds the lower of the following:

- i) ten percent of the aggregate value of paid-up share capital and securities premium account of the subsidiary; or
- (ii) the Company's threshold for material related party transactions as specified in Schedule XII of the Listing Regulations.

Provided that the aggregate value of paid-up share capital and securities premium account of the subsidiary shall be taken as on a date, not older than three months prior to the date of seeking approval of the Audit Committee.

All information shall be provided by the Company to the Audit Committee, in such manner and with such details, as may be required and prescribed to be provided under the Act and/or SEBI Regulations or by any relevant authority, from time to time.

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 or in the immediate next meeting of the Audit Committee, whichever is earlier, 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. Any such ratification shall be in accordance with the conditions mentioned under Clause 23 of the Listing Regulations.

5. remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the Audit Committee provided that the same is not material in terms of the provisions of sub-regulation 23 (1) of the Listing Regulations.
6. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiary 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 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 or its subsidiary 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 and transactions in respect of which powers can be exercised only by the Board cannot be undertaken through omnibus approval.
 - h. All information shall be provided by the Company to the Audit Committee for granting omnibus approval, in such manner and with such details, as may be required and prescribed to be provided under the Act and/or SEBI Regulations or by SEBI or any other relevant authorities, from time to time.

B. Approval by Board:

Related Party Transactions which are in ordinary course of business and on an arm's length basis are exempt from approval of the Board. However, transactions specified under Section 188 of the Act, 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:

- a) All Material Related Party Transactions and subsequent Material Modifications shall require prior approval of the Shareholders.
- b) 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 currently specified under Section 188 of the Act and as may be amended from time to time, 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 of the net worth.

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

The omnibus approval granted by the Shareholders for material related party transactions in an annual general meeting shall be valid till the date of the next annual general meeting. The validity of omnibus approvals for material related party transactions, granted by Shareholders in general meetings other than annual general meeting, shall not exceed one year from the date of such approval.

Shareholders' approval, as referred above, would not be required for transactions entered into between:

- (a) the Company and its wholly owned subsidiary; or
- (b) two wholly owned subsidiaries of the Company,

provided that accounts of such wholly owned subsidiaries referred in (a) and (b) above are consolidated with the Company and placed before the Shareholders at the general meeting for approval.

Information to be provided to shareholders for consideration of RPTs

The notice to be sent to the shareholders seeking approval for any proposed RPT shall include all information provided by the Company to the Audit Committee for granting omnibus approval, in such manner and with such details, as may be required and prescribed to be provided under the Act and / or SEBI Regulations or by SEBI or any other relevant authorities, from time to time, as a part of the explanatory statement.

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 / Audit Committee meeting of the Company during discussions in the matter.

Members of the Company who are Related Parties shall not vote to approve the resolution in respect of approval or Material Modification 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 / documentations and such details as may be required to be disclosed under the Act or the Listing Regulations or by SEBI 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

- The Board's Report shall contain details of Related Party Transactions as required under the Act.
- The Company shall submit to the stock exchanges on the date of publication of its standalone and consolidated financial results for the half year, disclosures of Related Party Transactions, in the format specified by SEBI from time to time and publish the same on its website.
- The Company shall disclose to the Stock Exchanges 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 holds 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. The Policy would be subject to revision / amendment in accordance with the applicable laws.

In case of any amendment(s), clarification(s), circular(s), notification(s), etc. issued by the relevant authorities under the Listing Regulations or the Act or any other governing Act/Rules/Regulations or re-enactment thereof, not being consistent with the provisions laid down under the Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and the Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc., even if not expressly incorporated in this Policy.