

Approved in 338th meeting of Board of Directors held on 09.11.2022
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Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions

NATIONAL ALUMINIUM COMPANY LIMITED

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1. PREAMBLE:

This Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions applies to transactions between the Company and any of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

The Companies Act, 2013 ("the Act"), SEBI (LODR) Regulations, 2015 ("the LODR Regulations") and Industry Standards on minimum information to be provided for review of the Audit Committee and shareholders for approval of a related party transaction issued by SEBI ("Industry Standards Norms"), have stipulated various conditions to be fulfilled in case of Related Party Transactions.

The Policy includes the materiality threshold and the manner of dealing with Related Party Transactions ("Policy") in compliance with the requirements under the Act, the LODR Regulations and Industry Standards Norms.

The Board of Directors (the "Board") of National Aluminium Company Limited (the "Company") has adopted this Policy upon the recommendation of the Audit Committee.

2. APPLICABILITY:

This policy shall be applicable to all transactions with Related Parties and Related Party Transactions as defined under relevant provisions under the Companies Act and the SEBI (LODR) Regulations.

3. OBJECTIVE:

This Policy is intended to ensure identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations in force, as amended from time to time.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions for compliance to the statute.

4. DEFINITIONS:

- i) "**Associate Company**", in relation to another company, means a company in which NALCO has a significant influence, but which is not a subsidiary company of NALCO and includes the joint venture companies of NALCO.

Explanation:

"Significant influence" means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an agreement.

The expression "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.

- ii) "**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.
- iii) "**Audit Committee or Committee**" means the Committee of the Board constituted from time to time under the provisions of the LODR Regulations and provisions of the Act.

- iv) **“Board”** means the Board of Directors as defined under the Act.
- v) **“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.

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.

- vi) **“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..

Explanation: *For the purposes of this clause, the “paid up share capital” shall be construed as “total voting power”, where shares with differential voting rights have been issued.*

- vii) **“Key Managerial Personnel”** means Key Managerial Personnel as defined under the Act.

- viii) **“Material Related Party Transaction”** means a Related Party Transaction which individually or taken together with previous transactions during the financial year, exceeds the thresholds specified in Schedule XII of the LODR Regulations and in case of related party transaction for payment to a related party w.r.t. brand usage or royalty entered into individually or taken together with previous transactions during a financial year, exceed 5% of the annual consolidated turnover as per the last audited financial statements.

- ix) **“Material modification in a related party transaction”** means any modification related to change in price, tenure, delivery schedule, non-statutory obligations, terms and conditions or short closure of any contract or arrangement with related party.

- x) **“Office or place of profit”** means any office or place held by a related party:

- a) being a director, if the director holding it, receives from NALCO anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- b) being an individual other than a director or by any firm, private Company or other body corporate, if the individual, firm, private Company or body corporate holding it, receives from NALCO anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

- xi) **“Ordinary Course of business”** means all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, in the normal routine in managing trade or business and is permitted by the objects clause of the Memorandum of Association of the Company. The Company should take into account the frequency of the activity and its continuity carried out in a normal organised manner for determining what is in the ordinary course of business.

xii) **“Public Sector Undertaking”** refers to a company incorporated under the Companies Act, 1956 or the Companies Act, 2013 and where the ownership or control lies with two or more Government companies or corporation etc.

xiii) **“Related Party”** means:

- a) A Director or his relative;
- b) A Key Managerial Personnel or his relative;
- c) A firm, in which a director, manager or his relative is a partner;
- d) A private company in which a director or manager or his relative is a member or director;
- e) 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;
- f) Anybody 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;
- g) Any person on whose advice, directions or instructions a director or manager is accustomed to act:

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

h) Anybody corporate 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;

(C) an investing company or the venturer of the company;

Explanation: *For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.*

- i) Director other than an Independent Director or Key Managerial Personnel of the holding company or his/her relative with reference to a company, shall be deemed to be a related party.
- j) As described under Indian Accounting Standard 24.
- k) Any person or entity forming a part of the promoter or promoter group of the Company or
- l) Any person or any entity, holding equity shares of ten per cent or more, in the Company either directly or on a beneficial interest basis as provided under Section 89 of the Act, at any time, during the immediate preceding financial year shall be deemed to be a related party.

xiv) **“Related Party Transaction”** means a transaction involving a transfer of resources, services or obligations between:

- (i) the Company or 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 and include but not limited to:

- 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 the 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;
 - g) Underwriting the subscription of any securities or derivatives thereof, of the Company;
- xv) **“Relative”** means a relative as defined under the Act and includes anyone who is related in any of the following manner:
- a) Members of a Hindu undivided family;
 - b) Husband or wife;
 - c) Father (including step-father);
 - d) Mother (including step-mother);
 - e) Son (including step-son);
 - f) Son's wife;
 - g) Daughter (including step-daughter);
 - h) Daughter's husband;
 - i) Brother (including step-brother) and his wife; or
 - j) Sister (including step-sister) and her husband.

xvi) **“Transaction”** with a related party shall be construed to include a single transaction or a group of transactions during the financial year.

5. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION:

All transactions with Related Parties and all Related Party Transactions which are entered into in ordinary course of business at Arm's Length basis shall be subject to the approval of the Audit Committee in accordance with this Policy.

Provided that, only those members of the Audit Committee, who are Independent Directors, shall approve related party transactions and;

- (a) The audit committee of the company shall define “material modifications” and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions;
- (b) 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 of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;
- (c) Prior approval of the Audit Committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if Regulation 23 and sub-regulation (2) of Regulation 15 of the LODR Regulations are applicable to such listed subsidiary.

Explanation: *For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (c) above, the prior approval of the audit committee of the listed subsidiary shall suffice.*

- (d) 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.

The approval of the Audit Committee can be obtained by way of circulation also.

Concerned Executive Director or in his absence Chief General Manager or in his absence Dept. Head is responsible for placing agenda before the Audit Committee/Board for all Related Party Transaction(s) requiring approvals (Prior approval or ratification) in accordance with this policy.

After obtaining the approval of the Audit Committee/Board, Company Secretary shall place the agenda to the shareholders for approval, if required.

Concerned Dept. Heads are also responsible for placing the agenda for review of the transactions under omnibus approval taken from Audit Committee on a quarterly basis, the details of RPTs entered into by the Company pursuant to the omnibus approval obtained under Para 5.1.2 of this Policy.

5.1 APPROVAL OF THE AUDIT COMMITTEE- MECHANISM:

5.1.1 Details to be provided to Audit Committee:

The Company shall provide the Audit Committee with the information as specified in the Industry Standards Norms for minimum information to be provided for review of the Audit Committee and shareholders for approval of related party transactions.

All related party transactions and subsequent material modifications, require prior approval of the audit committee.

5.1.2 Omnibus Approval:

Audit Committee may grant the omnibus approval for Related Party Transactions proposed to be entered into by the Company or its Subsidiaries subject to the following conditions:

1. Transactions which are frequent/ regular/ repetitive in nature and are in the normal course of business of the Company.

2. Audit Committee shall satisfy itself the need for such omnibus approval in the best interest of the Company.
3. Omnibus approval shall specify:
 - a) name of the related parties;
 - b) nature and duration of the transaction;
 - c) maximum amount of transaction that can be entered into;
 - d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
 - e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:

Provided that 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 rupees one crore per transaction.

4. The agenda note for omnibus approval shall also include the information as per the standardized format prescribed in the Industry Standard Norms.
5. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company or its subsidiary pursuant to omnibus approval given.
6. The omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year from the date of approval irrespective of tenure of the contract.
7. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
8. Any other conditions as the Audit Committee may deem fit.

5.1.3 Consideration by the Audit Committee:

While approving, the Audit Committee may, inter-alia, consider the following factors:

- a) all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party;
- b) whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis, at the time of entering into the transaction;
- c) business reasons for the Company to enter into the Related Party Transaction;
- d) whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or KMP of the Company;
- e) any other matter the Audit Committee deems relevant.

5.1.4 Director or KMP shall not participate in any discussion or approval of a Related Party Transaction for which he or she is a Related Party, except that the Director / KMP shall provide all material information concerning the Related Party Transaction to the Audit Committee.

5.2. APPROVAL OF THE BOARD AND SHAREHOLDERS – MECHANISM:

5.2.1 Board of Directors:

All Related Party Transactions which are not in the ordinary course of business and/or are not on arm's length basis but within the prescribed limits under the Act or the LODR Regulations, shall be brought before the Board of Directors for approval through Board Level Audit Committee.

Such approval of Board may be obtained at a duly convened meeting and not by circular resolution.

5.2.2 Shareholders:

All Related Party Transactions that are beyond the prescribed limits under the Act and all Related Party Transactions which are material in nature as defined under LODR Regulations, shall require approval of shareholders by passing a resolution (after due recommendation by the Board).

No member being a related party to the Company shall vote to approve any resolution, for any contract or arrangement which may be entered into by the company whether the member is a related party to such contract/arrangement or not.

5.3 MATERIAL RELATED PARTY TRANSACTIONS:

All Material Related Party Transactions (exceed the limits specified below) require approval of the Audit Committee and Shareholders. However, the same shall be put up to the Board for its recommendation before the approval of shareholders:

Sl. No.	Transaction or contract or arrangements	Limits
As per Companies Act, 2013		
1	Sale, purchases or supply of any goods or materials, directly or through appointment of agent	Amounting to 10% or more of the turnover of the Company. Explanation: <i>The above limit is applicable for the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.</i>
	Leasing of property of any kind	
	Availing or rendering of any services, directly or through appointment of agent	
2	Selling or otherwise disposing of, or buying property of any kind, directly or through appointment of agent	Amounting to 10% or more of the net worth or 10% of the turnover of the Company. Explanation: <i>The above limit is applicable for the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.</i>
3	Appointment of a Related Party to any office or place of profit in the Company, its Subsidiary Company or Associate Company	Where monthly remuneration exceeds Rs.2,50,000/-.

4	Remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company	For amount exceeding 1% of Net Worth of the Company
As per SEBI(LODR) Regulation, 2015		
Sl. No.	Transaction or contract or arrangements for	Limits
5.	A transaction with a related party to be entered into individually or taken together with previous transactions during a financial year.	Exceeding the thresholds specified in Schedule XII of the LODR Regulations.
6.	A transaction involving payments made to a related party with respect to brand usage or royalty	Amount exceeding 5% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company Explanation: <i>The above limit is applicable for the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.</i>

Exemption:

- (i) Transactions entered into between two Public Sector 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.
- (iii) Transactions entered into between two wholly-owned subsidiaries of a listed holding company, whose accounts are consolidated with the holding company and placed before AGM for approval.
- (iv) Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand.
- (v) Transactions entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand.

5.4 DETAILS TO BE PROVIDED TO THE BOARD AND SHAREHOLDERS:

The following information shall be provided to the Board for approval of Related Party Transaction(s):

- a) The name of the related party and nature of relationship;
- b) The nature, duration of the contract and particulars of the contract or arrangement;
- c) The material terms of the contract or arrangement including the value, if any;
- d) Any advance paid or received for the contract or arrangement, if any;
- e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- f) 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
- g) Any other information relevant or important for the Board to take a decision on the proposed transaction.

The following information shall be provided to the Shareholders for approval of Related Party Transaction(s):

- a) Name of the related party;
- b) Name of the Director or KMP 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.

The notice being sent to the shareholders seeking approval for any related party transactions shall, in addition to the requirements under the Act, include the information as specified in the Industry Standards Norms, as part of the explanatory statement to the Notice.

5.5 SUMMARY OF THE APPROVAL MECHANISM UNDER THE ACT AND LODR REGULATIONS:

Details of Transaction(s)	Approving Authority
All Related Party Transactions which are entered into in ordinary course of business and at Arm's Length basis and any subsequent modification.	Audit Committee
RPTs stated at 5.2.1 above which are not in Ordinary Course of Business and/ or not on arm's length basis or both.	Approval and recommendation by Audit Committee to the Board and Approval by the Board.
RPTs stated at 5.2.2 above which are in not in Ordinary Course of Business and/ or not on arm's length basis or both and Material RPTs stated at 5.2.3 above	Approval and recommendation by Audit Committee to the Board. Approval and recommendation by the Board to Shareholders and Approval by the Shareholders, by way of passing resolution.

5.6 RATIFICATION OF RELATED PARTY TRANSACTIONS BY AUDIT COMMITTEE:

In cases, where prior approval is not taken due to inadvertent omission or due to unforeseen/emergency circumstances, the Audit Committee may ratify the transactions in accordance with this Policy.

The members of the Audit Committee, who are Independent Directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, subject to the following conditions:

- i) The value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- ii) The transaction is not material in terms of the provisions of sub-regulation (1) of Regulation 23 of the LODR Regulation;
- iii) Rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- iv) The details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of Regulation 23 of the LODR regulation;
- v) Any other condition as specified by the Audit Committee:

Provided that failure to seek ratification of the Audit Committee shall render the transaction voidable at the option of the Audit Committee and if the transaction is with a related party to any Director, or is authorised by any other Director, the Director(s) concerned shall indemnify the Company against any loss incurred by it.

5.7 RATIFICATION OF RELATED PARTY TRANSACTIONS BY BOARD:

- i) Where any contract or arrangement is entered into by a Director or any other employee, without obtaining the approval Board and if it is not ratified by the Board within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board.
- ii) If the contract or arrangement is with a related party to any Director, or is authorised by any other Director, the Directors concerned shall indemnify the company against any loss incurred by it, and it shall be open to the company to proceed against a Director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

5.8 RATIFICATION OF RELATED PARTY TRANSACTIONS BY SHAREHOLDERS:

- i) Where any contract or arrangement is entered into by a Director or any other employee, without obtaining the approval by a resolution in the general meeting and if it is not ratified by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the shareholders.
- ii) If the contract or arrangement is with a related party to any Director, or is authorised by any other Director, the Directors concerned shall indemnify the company against any loss incurred by it, and it shall be open to the company to proceed against a Director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

In any case where either the Audit Committee/Board/Shareholders determines not to ratify a Related Party Transaction that has been commenced without approval, may direct additional actions including, but not limited to, immediate discontinuation of the transactions, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Audit Committee/Board/Shareholders has authority to modify or waive any procedural requirements of this Policy in the best interest of the Company.

6. PRE-REQUISITES FOR ASCERTAINING RELATED PARTY:

The following details shall be required:

1. Declaration/Disclosure of interest by all the Directors and KMPs' in form MBP-1.
2. Declaration of relatives by all Directors and KMPs'.
3. Declaration about a firm in which a Director and KMP or his relative is a partner.
4. Declaration about a private Company in which a Director and KMP or his relative is a member or director.

5. Declaration regarding a public company in which a Director and KMP is a Director and holds along with the relatives more than 2% of the paid-up share capital.
6. Declaration that the Bodies Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with any advice, directions or instructions of the Director / KMP.
7. Declaration about the person on whose advice, directions or instructions, the Director / KMP is accustomed to act (other than advice, directions or instructions obtained in professional capacity).
8. Any Body Corporate which is:
 - (a) Holding or Subsidiary or Associate Company of NALCO; or
 - (b) Subsidiary of a Holding company to which NALCO is also a subsidiary;
9. An investing company or the venturer of NALCO.
10. Any director other than an independent director or KMP of the Holding Company of NALCO or his relative.
11. Any person or entity forming part of the promoter or promoter group of NALCO or holding specified percent of equity shares as prescribed under the LODR Regulations.

7. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS:

The Company Secretary shall at all times maintain a database/ Register of the various Related Parties, arrived at after taking into account the information as contained in Clause 6.0 and the definition set forth in Clause 4.0. The database/ Register shall mention the details required as per the Act and any amendment thereof.

The Related Party List shall be updated whenever necessary and shall be reviewed at the beginning of the financial year.

Company Secretary shall after collating the information as above circulate the same to all Whole Time Directors and Executive Directors,

The concerned Dept. Head shall arrange to nominate a Nodal Officer at their location who shall ascertain whether any transaction in the concerned unit/department will be covered under the definition of RPT. Based on the report of the Nodal Officer, approval of the Competent Authority of the relevant RPT in accordance with the procedures set out in this policy will be obtained.

For the purpose of implementing the provisions under this Policy, the Board and the Audit Committee of Directors of the Company shall receive timely, full and sufficient information about the Transactions covered under this Policy. In determining, whether to approve or not a Related Party Transaction, the Board will take into account, among other factors, recommendations of the Audit Committee, whether the said Transaction is in the interest of the Company and its stakeholders and there is no actual or potential conflict of interests between the related parties.

8. DISCLOSURES:

- a) The Company shall disclose the policy on Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

- b) Every Contract or arrangement entered with Related Parties with the approval of Audit Committee/Board/Shareholders in line with the provisions under the Act shall be referred in the Board's Report to the shareholders along with the justification for entering into such contract or arrangements.
- c) Details of all Material Related Party Transactions shall be disclosed quarterly along with the compliance report on corporate governance to be submitted to stock exchanges.
- d) Disclosure as prescribed under Indian Accounting Standard, notified by MCA.
- e) The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any related party requiring approval of the Board.

9. SCOPE LIMITATION:

In the event of any conflict between the provisions of this Policy and of the Act /LODR Regulations or any other statutory enactments, rules, the provisions of the Act/LODR Regulations or statutory enactments, rules shall prevail over this Policy.

10. DISSEMINATION OF POLICY:

This Policy shall be disseminated to all functional and operational employees and other concerned persons of the Company and shall be hosted on the intranet and website of the Company and web link thereto shall be provided in the annual report of the Company.

11. VIOLATION:

Violation of the Policy/Provisions in any manner shall be dealt with in accordance with provisions of law and Company's prescribed rules if any.

12. AUTHORITY FOR APPROVAL:

Chairman-cum-Managing Director is the approving authority for changes, if any in the Policy as per statute.
