



THE ORISSA MINERALS DEVELOPMENT COMPANY LIMITED

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**POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING
WITH RELATED PARTY TRANSACTIONS**

1. PREAMBLE

The Orissa Minerals Development Company Limited (the “Company” or “OMDC”), adopted this policy deals with Materiality of Related Party Transactions (RPTs) and dealing with the Related Party Transactions in Compliance with the requirements of Section 188 of the Companies Act, 2013, the Rules made there under and any subsequent amendments thereto (the “Act”), Accounting Standard-18 issued by ICAI and Clause 49 of Listing Agreement with the Stock Exchanges, in order to ensure the transparency and regulation of such transactions.

2. DEFINITIONS

“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 per cent of total share capital**, or of business decisions under an agreement.

“Control”- In terms of Section 2(27) of the Companies Act, 2013 shall include 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.

“Government Company” - In accordance with Section 2 (45) of the Companies Act, 2013 read with related rules issued thereon, 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;

“Independent Director” means a Director of the Company, as appointed in terms of Section 149 of the Companies Act, 2013 and who also qualifies as Independent Director in terms of Clause 49 of the Listing Agreement.

“Key Managerial Personnel”, 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;
- (iv) the Chief Financial Officer; and
- (v) such other officer as may be prescribed;

“Related Party”- In accordance with Section 2 (76) of the Companies Act, 2013 read with related rules issued thereon and **Clause 49 of SEBI Listing Agreement** including any statutory modification, amendment thereof as may issue from time to time, an entity shall be considered as related party to the 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.*

As per **Section 2(76) of the Companies Act, 2013**, Related Party means:

- (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 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) 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) A Director (other than Independent Director) or Key Managerial Personnel (KMP) of the

holding company of such company or his relative.

The **Accounting Standard 18** defines related party as “parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and / or operating decisions.”

Accounting Standard 18 defines ‘**Control**’ as “(a) ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or

(b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or

(c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.”

Relatives in terms of section 2(77) of the Companies Act, 2013, with reference to any person, means any one who is related to another, if—

(i) they are members of a Hindu Undivided Family;

(ii) they are husband and wife; or

(iii) 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.

“Related Party Transactions”- Transactions/contracts/arrangement between the Company and its related parties which fall under one or more of the following headings:

For the purpose of Section 188 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

For the purpose of Clause 49 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."

“Material Related Party Transactions”-If the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent (10%) of the annual consolidated turnover of the company as per the last audited financial statements of the company."

3. PROCEDURES

Details required for ascertaining Related Party

The following details shall be required:

1. Declaration/Disclosure of interest by all the Directors and KMP's in form MBP-1.
2. Declaration of relatives by all the Directors and KMP's.
3. Declaration about a firm in which a Director or his relative is a partner, owner or member.
4. Declaration regarding body corporate in which director or such director in association with any other director or along with his relative holds more than 2% of the paid up share capital or is a promoter, manager or Chief Executive Officer of that body corporate.
5. Notice from directors of any change in particulars of Directorship or in other position during the year.
6. Details of 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 directors or Manager of a Company.

Provided that nothing shall apply to the advice, directions or instructions given in a professional capacity.

7. Details of 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;

Each director/KMP who is a Related Party with respect to a particular Related Party Transaction shall disclose all material information to the Audit Committee/Board of Directors concerning such Related Party Transaction and his or her interest in such transaction.

The Audit Committee shall also review and approve any modification, renewal or extension of any Related Party Transaction.

4. APPROVAL OF RELATED PARTY TRANSACTIONS

I. Approval by Audit Committee

(A) Under clause 49 (VII) of the Listing Agreement

Prior Approval of Audit Committee: All Related Party Transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- c. Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit;

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 Rs.1 crore per transaction.

- d. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year"

"The approval of **Audit Committee** shall not be applicable in the following cases:

(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.

Explanation: For the purpose of Clause 49(VII), 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."

(B) Under Section 177 of the Companies Act, 2013

Approval of Audit Committee: Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, *inter alia*, include — approval or any subsequent modification of transactions of the company with related parties.

II. APPROVAL BY BOARD

(A) Under Section 188 of the Companies Act, 2013

Prior Approval of Board of Directors: Prior approval of the Board ***by a resolution at a meeting of the Board*** is required for all contract or arrangement with a related party with respect 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 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

Provided that nothing of the above shall apply to any transactions entered into by OMDC in its ordinary course of business other than transactions which are not on an arm's length basis.

Explanation.— In this sub-section,—

(a) the expression "office or place of profit" means any office or place—

(i) where such office or place is held by a director, if the director holding it receives from the OMDC 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;

(ii) where such office or place is held by 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 OMDC anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

(b) the expression “*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. APPROVAL BY SHAREHOLDERS

(A) Under Section 188 of the Companies Act,2013 read with related rules issued thereon.

Prior Approval of Shareholders: Prior approval of the Shareholders *by a Special resolution* is required for the transactions, contract or arrangement as mentioned below:

Transactions Covered	Transaction Value
i) Sale, purchase or supply of any goods or materials directly or through appointment of agents.	> 10% of the Turnover of the company or <small>*100 crore.</small> - whichever is lower
ii) Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents.	> 10% of the Net Worth of the company or <small>*100 crore.</small> - whichever is lower
iii) Leasing of property of any kind.	> 10% of the Net Worth of the company or > 10% of the Turnover of the company or <small>* 100 crore.</small> - whichever is lower
iv) Availing or rendering of any services directly or through appointment of agents.	> 10% of the Turnover of the <small>company or *10 crore.</small> - whichever is lower
v) Appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration of	<small>> 2.5 Lakh</small>
vi) Remuneration for underwriting the subscription of any securities or derivatives thereof of the company	>1% of Net Worth

Explanation - (1) The Turnover or Net Worth referred in the above shall be on the basis of the Audited Financial Statement of the preceding financial year.

Explanation.—It is hereby clarified that the limits specified in (i) to (iv) above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

All **material** Related Party Transactions shall require **approval of the shareholders through special resolution** and the related parties shall abstain from voting on such resolutions.

"The approval of **Shareholders** shall not be applicable in the following cases:

(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.

Explanation: For the purpose of Clause 49(VII), 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."

5. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Management of the company becomes aware of any Related Party Transactions that has not been approved under this policy, prior to its consummation, the matter shall be reviewed by the Audit Committee. Audit Committee may consider all of the relevant facts and circumstances regarding the Related Party Transactions and may evaluate all the options available with the Company.

Audit Committee may also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy and may take any such action it deems appropriate.

6. DISCLOSURES

i) DISCLOSURE IN BOARD'S REPORT: Details of contract(s) or arrangement(s) have to be disclosed in the Board's Report along with the justification for entering into such contract(s) or arrangement (s) as per Form no: AOC-2.

ii). DISCLOSURE IN CORPORATE GOVERNANCE REPORT: Details of all Material Transactions with Related Parties shall be disclosed quarterly along with the compliance report on Corporate Governance to be submitted to the Stock Exchanges where the securities of OMDC are Listed.

iii). DISCLOSURE ON THE WEBSITE OF OMDC: OMDC 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.

iv).DISCLOSURE IN ANNUAL FINANCIAL STATEMENT: Necessary disclosures shall be made in the Annual Financial Statements as required under Accounting Standard-18.

v). DISCLOSURE IN FORM AOC-4: While filing Form AOC-4 i.e. form for filing financial statement and other documents with the Registrar, disclosure about related party transactions in Segment-D of AOC-4 shall be made in the prescribed form.

7. NON APPROVAL OF RELATED PARTY TRANSACTION/ VIOLATION OF PROVISIONS RELATED TO RELATED PARTY TRANSACTION

I. Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a special resolution in the general meeting as required and if it is not ratified by the Board or, as the case may be, 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 Audit Committee/Board and if the contract or arrangement is with a related party to any director or KMP, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

II. Without prejudice to anything contained in sub-section (3), 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.

III. Any director or any other employee of a company, who had entered into or authorised

the contract or arrangement in violation of the provisions of this section shall,—

- (i) in case of listed company, be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both; and
- (ii) in case of any other company, be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees.

In respect of matters not specifically dealt with hereinabove, the latest provisions of the Companies Act, 2013 and rules made there under and provisions of Listing Agreement entered into by the Company with the Stock Exchanges including latest guidelines issued by SEBI/Government on the subject shall be applicable.