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## POLICY ON DEALINGS WITH RELATED PARTY TRANSACTIONS

### 1. Scope and Purpose

The Board of Directors (the “Board”) of Oil India Limited (the “Company” or “OIL”), acting upon the recommendation of its Directors and Audit & Ethics Committee (the “Committee”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Committee will review and may amend this policy from time to time.

This policy will be applicable to the Company. This policy is intended to ensure proper approval and reporting of transactions between the Company and any of its related parties. This policy shall become effective from 1<sup>st</sup> October, 2014.

### 2. About the Company

OIL INDIA LIMITED (OIL), a Government of India Enterprise, ‘A Navaratna Company’ under the administrative set-up of Ministry of Petroleum and Natural Gas, is engaged in the business of exploration, production and transportation of crude oil and natural gas both in-country and overseas and listed at NSE and BSE.

### 3. Objective

This policy is framed as per requirement of Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges. OIL recognizes that Related Party Transactions (as defined below) can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company's and its shareholders' best interests. Therefore, this policy regarding the review and approval of Related Party Transactions has been adopted by the Company's Board of Directors in order to set forth the procedures under which certain transactions must be reviewed and approved or ratified.

### 4. Definitions

- a. “**Audit & Ethics Committee or Committee**” means Committee of Board of Directors of the Company constituted under provisions of Listing Agreement and Companies Act, 2013.
- b. “**Board**” means Board of Directors of the Company.
- c. “**Control**” is defined as follows:
  - i **As per Revised Clause 49:** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 which is:

“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 a target company shall not be considered to be in control over such target company, merely by virtue of holding such position;
  - ii **As per Section 2(27) of the Act:** 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.
- d. “**Key Managerial Personnel**” means key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) Chief Executive Officer or the Managing Director or the Manager;
  - (iii) the Whole-time Director;
  - (iv) the Chief Financial Officer; and
  - (ii) the Company Secretary;
  - (v) such other officer as may be prescribed;
- e. **“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 ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.
- f. **“Policy”** means Policy on dealings with Related Party Transactions.
- g. **“Related Party “means related party as defined in under section 2 (76) of the Act which are 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;
  - viii. any company which is-
    - (i) a holding, subsidiary or an associate company of such company; or
    - (ii) a subsidiary of a holding company to which it is also a subsidiary;
    - (iii) such other person as may be prescribed from time to time:
      - i. a Director or key managerial personnel of the holding, company of such company or his relative;
- h. **“Related Party “means related party as defined in Revised Clause 49 of the Listing Agreement, an entity shall be considered as related to the company if:**
- i. Such entity is a related party under Section 2(76) of the Companies Act, 2013; or
  - ii. Such entity is a related party under the applicable accounting standards
- i. **“Related Party Transaction “transactions/ contracts/ arrangement between the Company and its related parties which fall under one or more of the following headings:**
- i. **As per Revised Clause 49:**

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.

A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract."
  - ii. **As per Section 188 of the Act:**
    - 1) Sale, purchase or supply of any goods or materials;
    - 2) Selling or otherwise disposing of, or buying, property of any kind;
    - 3) Leasing of property of any kind;
    - 4) Availing or rendering of any services;

- 5) Appointment of any agent for purchase or sale of goods, materials, services or property;
- 6) Such related party's appointment to any office or place of profit\* in the Company, its subsidiary Company or associate Company; and
- 7) Underwriting the subscription of any securities or derivatives thereof, of the Company;

\*"Office or place of profit" means any office or place—

- where such office or place is **held by a Director**, if the Director holding it **receives** from the company 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;
- 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 the company **anything by way of remuneration**, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

j. **"Relative"** means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –

- (i) They are members of a Hindu undivided family ;
- (ii) They are husband and wife ; or
- (iii) Father (including step-father)
- (iv) Mother ( including step-mother)
- (v) Son ( including step-son)
- (vi) Son's wife
- (vii) Daughter
- (viii) Daughter's husband
- (ix) Brother ( including step-brother)
- (x) Sister (including step-sister)

k. **"Transactions on arm's length basis"** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

l **"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;

## 5. Manner of Dealing with Related Party Transactions

All Related Party Transactions must be reported to the Audit & Ethics Committee and referred for approval by the Committee in accordance with this Policy.

### 5.1 Identification of Related Parties

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit & Ethics Committee regarding persons and entities to be considered as "Related Party" by virtue of his/her being Director/KMP in the entity or holding certain shareholding percentage. Such notice shall be provided to the company at the time of appointment and also at the time of first board meeting in every financial year and whenever there is any change in the disclosures already made.

### 5.2 Identification of Related Party Transactions

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit & Ethics Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit & Ethics Committee may

reasonably request. Board/Audit & Ethics Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

### 5.3 Approval Requirements for Related Party Transactions

All Related Party Transactions shall require prior approval of the Audit & Ethics Committee. Further, 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.

All Related Party Transactions which are neither in the ordinary course of business nor at arm's length price require Board approval. Also the shareholders approval is required through special resolution if the transaction value exceeds the threshold given under the Companies Act 2013.

### 5.4 Review and Approval of Potential Related Party Transactions

Potential Related Party Transactions shall be referred to the Audit & Ethics Committee for review and approval.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- (i) Whether the terms of the Related Party Transaction are at arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- (ii) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- (iii) Whether the Related Party Transaction would affect the independence of an independent Director;
- (iv) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- (v) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- (vi) Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director or other Related Party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction, and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.
- (vii) If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for the Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Any member of the Committee who has an interest in the transaction under discussion will abstain from voting. Upon completion of its review of the transaction, the Committee may determine to permit or to prohibit the Related Party Transaction.

In case, there is any conflict between this policy and the applicable laws including clarifications etc, the matter shall be considered in view of the applicable laws including clarifications etc.

In the case of Transactions which are frequent and regular in nature and are in the normal course of business of the Company, the Audit & Ethics Committee may grant omnibus approval for such transactions, provided that the Audit & Ethics Committee shall lay down criteria for granting such

approval, the Committee shall satisfy itself of the need for such omnibus approval and it is in the interest of the Company, and such omnibus approval shall specify:

- The name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
- The indicative base price / current contracted price and the formula for variation in the price if any and
- Such other conditions as the Audit & Ethics Committee may deem fit.

Provided that that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit & Ethics Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction. The Audit & Ethics Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

The requirement of obtaining Audit & Ethics Committee and shareholder's approval for related party transactions (as referred to under clause 49 (VII)(D) and (E) of Clause 49 of Listing Agreement) is exempted under following circumstances:-

- 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.

"Government Company" shall have the same meaning as defined in Section 2(45) of the Companies Act, 2013."

There is no such exemption currently provided under the Companies Act.

## **6. Committee / Board to seek details**

While reviewing any Related Party Transaction, the Committee and/or the Board shall be at liberty to call for more information/details/advise/opinion from the following persons:

- Any employee
- Internal Auditor
- Statutory Auditor
- Cost Auditor
- Secretarial Auditor
- Legal Advisor
- External Expert/Consultant

## **7. Determination of Arm's Length Price**

The arm's length principle and the transfer pricing methodologies prescribed under the Indian Income-Tax Act, 1961 ('IT Act') as well as associated domestic and international guidance shall be referred to determine arm length price relating to all related party transactions.

## **8. Transitional Provision**

### **8.1 Under the Companies Act 2013**

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

Contracts entered into under Section 297 of 1956 Act, which already came into effect before the commencement of Section 188 of 2013 Act, will not require fresh approval, till the expiry of original term of such contracts. If any modification in such contract is made on or after 1 April 2014, the requirements under section 188 will have to be complied with.

**8.2. Under the Revised Clause 49**

All existing material related party contracts or arrangements, which are likely to continue beyond 31<sup>st</sup> March 2015, should be placed for approval of the shareholders in the first General Meeting subsequent to 1<sup>st</sup> October 2014. However, a listed company may choose to get such contracts approved by the shareholders even before 1<sup>st</sup> October 2014.

**9. Reporting and Disclosures**

The company shall comply with all reporting and disclosure requirements as may be prescribed from time to time in terms of applicable laws including The Companies Act, 2013 and Clause 49 of the Listing Agreement.

The Company shall disclose this policy relating to Related Party Transactions on its website and a web link shall be provided in the Annual Report.

This Policy will be communicated to all employees and other concerned persons of the Company and shall be placed on the website of the company at [www.oil-india.com](http://www.oil-india.com).

**10. Amendment**

The Audit & Ethics Committee of the Company shall review and may amend this policy from time to time, subject to the approval of the Board of Directors of the Company.

Any or all provisions of this policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications, etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions hereunder and this policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.

Policy :	Competent Authority
Date of Approval :	