

RELATED PARTY TRANSACTIONS POLICY

OF

BIRLA CORPORATION LIMITED

1. PREAMBLE:

Based on the recommendation of the Audit Committee the Board of Directors of the Company has adopted the following Policy and procedure with regard to Related Party Transactions. The policy envisages the procedure governing Related Party Transactions required to be followed by Company to ensure compliance with the Law and Regulation. The Audit Committee will review the same from time to time and propose the amendment required in the policy to the Board of Directors.

2. PURPOSE:

Securities and Exchange Board of India (SEBI), Circular dated 17 April 2014, has amended the Clause 49 of Listing Agreement entered into by the Company with the Stock Exchanges. The amended Clause 49 requires all listed companies to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. This policy has been framed for complying with above requirement.

3. DEFINITIONS:

“Audit Committee” means Committee of Board of Directors of the Company constituted under provisions of the Listing agreement as well as the Companies Act, 2013.

“Board” means Board of Directors of the Company.

“Related Party” means a person or an entity 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."

“Associate Company” means a Company which has significant influence but which is not a subsidiary of the Company having such influence and includes a joint venture Company.

“Significant Influence” means control of at least 20% of the total share capital or of business decisions under an agreement.

“Joint Venture” means a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

“Control” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and Companies Act, 2013.

“Listing Agreement” means the Agreement which the Company has entered into with the Stock Exchanges, as an issuer of shares and securities, as may be amended from time to time.”

“Related Party Transaction” (“RPT”) means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between the Company and a related party, regardless of whether or not a price is charged, and includes the following transactions, either single or a group of transactions in a contract:

- a. sale, purchases 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 purchases 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.”

“Policy” means this Policy on Related Party Transactions.

“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.

“Material Related Party Transaction” means a transaction with a related party, where in the value of 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.

“Relative” shall have the same meaning as assigned to it under section 2(77) of the Companies Act, 2013 and the Rules made thereunder and the Listing Agreement.

“Key Managerial Personnel” mean key managerial personnel as defined under the Companies Act, 2013 as under:

- (i) Managing Director, or Chief Executive Officer and in their absence the manager,
- (ii) Whole-time Director;
- (iii) Company Secretary;
- (iv) Chief Financial Officer; and
- (v) such other Officer as may be prescribed under Companies Act, 2013 and Rules framed thereunder.”

“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 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;
- (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 the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.”

4. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS:

Each director and Key Managerial Personnel is required to give notice of disclosure of interest under section 184 and 189 of the Companies Act 2013, along with list of relatives to the Company. The Company shall ensure that no transaction is entered into with any entity/individual disclosed by the director/ KMP without requisite approvals.

The Board/Audit Committee will determine whether the transaction requires compliance with this policy or not.

5. APPROVAL OF RELATED PARTY TRANSACTIONS:

(a) AUDIT COMMITTEE APPROVAL

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.

(b) APPROVAL OF BOARD OF DIRECTORS

All the Related Party Transactions shall be approved by the Board of Directors of the Company, except the following:

- (i) transactions entered into by the company in its ordinary course of business;
- (ii) transactions which are at an arm's length basis.

All the Material Related Party Transactions as per Listing Agreement shall be approved by the Board of Directors of the Company.

(c) APPROVAL OF SHAREHOLDERS

All the material related party transactions under Listing Agreement shall be approved by the Shareholders through a special resolution and 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.

Further, any transactions not covered above but covered under the section 188 of the Companies Act 2013 shall be approved by the Shareholders through a special resolution and the concerned related party(ies) which are related to that transaction shall not vote on such resolution.

(d) RELATED PARTY CONTRACTS ENTERED WITHOUT PROPER APPROVAL OF BOARD/SHAREHOLDERS:

Where any contract or arrangement is entered into by a Director or any other employee of the Company, without obtaining the consent of the Board or approval by a Special Resolution in the General Meeting and if it is not ratified by the Board or, as the case may be, by the shareholders at the Meeting within 3 months from the date from which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with the related party to any Director or is authorised by any Director, the Director(s) concerned shall indemnify the Company against any loss incurred by it.

Without prejudice to the above, it shall be open to the Company to proceed against the Director or any other employee who had entered into such contract or arrangement for recovery of any loss sustained by it as a result of such contract or arrangement.

The Director or any other employee responsible for the violation shall be punishable with imprisonment and fine as prescribed under the Companies Act, 2013.

6. Review & monitoring of Related Party Transactions

The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given. However, such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

7. FOLLOWING TRANSACTIONS NOT TO BE CONSIDERED AS RELATED PARTY TRANSACTIONS:

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

1. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
2. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
3. Any transaction arising out of Compromises, Arrangements and Amalgamations dealt with under specific provisions of the Companies Act, 1956/ Companies Act, 2013.

8. EXISTING CONTRACTS, IF ANY:

The Policy shall operate prospectively and all the Contracts entered into by companies, after making necessary compliances under the Companies Act, 1956, which already came into effect before the commencement of the Companies Act, 2013, i.e. April 1, 2014, will not require fresh approval till the expiry of the original term of such contracts. However, any agreement for material transactions which has been already approved and continued to be operational beyond March 2015, clause 7 of this policy needs to be followed.

9. RELATED PARTY TRANSACTIONSs NOT APPROVED UNDER THIS POLICY:

In the event the Company becomes aware of a Related Party Transactions with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transactions, and shall evaluate all options available to the Company, including ratification by it or recommending the Board for their ratification or seeking approval of Shareholders, revision or termination of the Related Party Transactions. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related

Party Transactions 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 Transactions 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. The Committee has authority to modify or waive any procedural requirements of this Policy.

10. DISCLOSURES/AMENDMENT:

- Related Party transactions shall be disclosed in the Directors' Report as prescribed under the Companies Act, 2013 and the Listing Agreement.
- Details of all material related party transactions shall be disclosed quarterly along with the compliance report on Corporate Governance.
- The Related Party Transactions Policy shall be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report too.

11. MISCELLANEOUS:

The right to interpret/amend/modify this Policy vests in the Board of Directors of the Company as may be recommended by the Audit Committee. This Policy will be communicated to all Directors, KMPs, operational employees and other concerned persons of the Company.