



## **MANGALORE REFINERY AND PETROCHEMICALS LIMITED**

(A Govt. of India Enterprise and a Subsidiary of ONGC Limited)

CIN: L23209KA1988GOI008959

Registered Office: Mudapadav, Post. Kuthethoor, Via Katipalla Mangaluru- 575030

Tel. No.: 0824-2270400 Fax No.: 0824-2273300

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

(As approved by the Board of Directors on 29/07/2021)



## MANGALORE REFINERY AND PETROCHEMICALS LIMITED

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### 1.0 Preamble

The Company is committed to uphold the highest ethical and legal conduct in fulfilling its responsibilities and recognizes that related party transactions can present a risk of actual or apparent conflict of interest of the Directors, Senior Management etc. with the interest of the Company.

The Board of Directors (the “Board”) of Mangalore Refinery and Petrochemicals Limited (“MRPL” or “the Company”) adopts the following policy and procedures with regard to Related Party Transactions (RPT) as defined below, in compliance with the requirements of Section 188 of the Companies Act 2013 and Rules made there under and any subsequent amendments thereto (the “Act”) and Regulation 23 of the SEBI (Listing of the SEBI (Listing Obligations and disclosure Requirements) Regulation, 2015, in order to ensure the transparency and procedural fairness of such transactions.

### 2.0 Objective

This policy is intended to ensure systematic identification, approval and/ or reporting of transactions as applicable, between the Company and any of its related party in the best interest of the Company and its Stakeholders. Provisions of this policy are designed to govern the transparency in identification and approval process as well as disclosure requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws. This Policy shall supplement other policies of the Company that may be in force for identification, approval and / or reporting of transactions with related persons.

The Audit Committee shall review, approve and ratify Related Party Transactions based on this Policy in terms of the requirements under the above provisions. The

Board of Directors reserve the power to review and amend this policy from time to time. Any exceptions to the Policy on Related Party Transactions shall be consistent with the Companies Act 2013, including the Rules promulgated there under and Regulation 23 of the Securities and Exchange Board of India (listing Obligations and Disclosure Requirements) Regulations, 2015 and shall be approved in the manner as may be decided by the Board of Directors.

### **3.0 Transactions Covered by this Policy**

A transaction covered by this policy includes any contract or arrangement with a related party with respect to transactions defined hereunder as “Related Party Transaction”. Provided that any transactions entered into by the Company with a Related Party in its ordinary course of business and **on an arm’s length basis** shall not require any approval of the Audit Committee/ Board of Directors of the Company except in the case of Related Party Transactions, which shall be subject to prior approval of the Audit Committee/Board and Members in General Meeting.

Provided further that any transaction entered into by MRPL with Related Party in its ordinary course of business and on an arm’s length basis, shall be periodically reported to the Audit Committee and Board.

### **4.0 Definitions**

4.1 **“Associate Company”**, in relation to another company, means a company in which MRPL has a significant influence and includes the joint venture companies of MRPL.

Explanation.—“significant influence” means control of at least twenty percent of total share capital, or of business decisions under an agreement. Total Share Capital means the aggregate of the paid-up Equity Share capital and Convertible Preference Share capital.

4.2 **“Board”** means the Board of Directors of MRPL.

4.3 **“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;

4.4 **“Key Managerial Personnel”** means

- (i) Managing Director and CEO
- (ii) Director (Finance) and CFO
- (iii) Director (Refinery)
- (iv) Whole time Directors and
- (v) Company Secretary.

4.5 **“Listing Agreement”** means the Listing Agreement signed with the Stock Exchange.

4.6 **“SEBI Listing Regulations”** means Securities and Exchange Board of India (listing Obligations and Disclosure Requirements) Regulations, 2015.

4.7 **“Material Related Party transactions”** means those transactions entered into with MRPL by a related party, individually or taken together with previous transactions during a financial year, exceeds 10% (ten percent) of the annual consolidated turnover of MRPL as per the last audited financial statements.

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 5% (five percent) of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

4.8 **“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 MRPL 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 MRPL anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

4.9 **“Relatives”** - with reference to Director or KMP of MRPL, means anyone who is related to another, if –

- (i) They are members of a Hindu Undivided Family;
- (ii) They are husband and wife; or
- (iii) One person is related to the other in the following manner, namely:-
  - (a) Father including step father
  - (b) Mother including step mother
  - (c) Son including step son
  - (d) Son’s Wife
  - (e) Daughter
  - (f) Daughter’s Husband
  - (g) Brother including step brother
  - (h) Sister including step sister

4.10 **“Related Party transactions”**-Transactions/ Contracts/ Arrangement between MRPL and its related parties which fall under one or more of the following headings:

4.10.1 **As per 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 MRPL, its subsidiary Company or associate Company; and
- (g) Underwriting the subscription of any securities or derivatives thereof, of MRPL;

**4.10.2 As per Regulation 2(1) (zc) of the SEBI (listing Obligations and Disclosure Requirements) Regulations, 2015**

Transfer of resources, services or obligations between MRPL and a related party, regardless of whether a price is charged.

**Explanation:** A “transaction” shall be construed to include single transaction or a group of transactions in a contract.

**4.10.3 As per Indian Accounting Standard (IND AS 24):**

- (a) purchases or sales of goods (finished or unfinished);
- (b) purchases or sales of property and other assets;
- (c) rendering or receiving of services;
- (d) leases;
- (e) transfers of research and development;
- (f) transfers under licence agreements;
- (g) transfers under finance arrangements (including loans and equity contributions in cash or in kind);
- (h) provision of guarantees or collateral;
- (i) commitments to do something if a particular event occurs or does not occur in the future, including executor contracts (recognized and unrecognized);
- (j) settlement of liabilities on behalf of the entity or by the entity on behalf of that related party;
- (k) management contracts including for deputation of employees.

4.11 “**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.

**Note:**

Words and expressions used and not defined in this policy but defined in the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Depositories Act, 1996 (22 of 1996), SEBI Listing Regulations or the Companies Act, 2013 (18 of 2013) and rules and regulations made thereunder shall have the meanings respectively assigned to them in those legislation.

**5.0 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. any Company which is a subsidiary or an associate Company of the MRPL;

**6.0 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 5.0** 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 least once a year, as on 1st April every year.

Company Secretary shall after collating the information as above circulate the same to All Whole Time Directors and HODs.

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.

## **7.0 Manner of Dealing with Related Party Transactions**

### Approval of the Audit Committee

All related party transactions require prior approval of the Audit Committee.

### Omnibus approval

The Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- The omnibus approval shall provide –
  - a) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
  - b) the indicative base price / current contracted price and the formula for variation in the price if any (for ex: +/- 5%) and
  - c) Such other conditions as the Audit Committee may deem fit.



However, in case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 crore per transaction;

- The Audit Committee shall review, at least 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 approval shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.

#### **8.0 Ascertainment of Transaction on arm's length basis**

The Indenter or the Initiator of the proposed Transaction which is covered under RPT shall examine the documents/information with regard to the transaction before forming an opinion/ arriving at a conclusion that the concerned transaction is on arm length basis. In particular, any or all of the following may be examined:

- Whether the purported transaction between two related parties pursuant to an Agreements/MoU is in accordance with the directives/approval of Govt..
- Whether the Terms of the transaction is in the ordinary course of business
- How the consideration price has been arrived.
- Is it comparable with Internal and external industry benchmarks.
- Any other relevant documents/information which supports the contention that the transactions on arm's length basis.

#### **8.1 Rules applying to Transactions with Related parties which are in Ordinary Course of Business/ on arm's length basis**

Transactions with Related parties which are in Ordinary Course of Business of MRPL and on arm's length basis shall be periodically reported to the Audit Committee/Board.

## **9.0 Review and Approval of Related Party Transactions**

- A.** All Related Party Transactions, except which are entered in Ordinary Course of business and on arm's length must be reported/ referred to the Audit Committee of Directors for its approval/ ratification, accompanied with Management's justification for the same. Before approving such transactions, the Committee will look into the interest of MRPL and its Stakeholders in carrying out the Transactions and on the benefits of the same. The Committee may, thereupon, approve, reject or approve subject to modifications such transactions, in accordance with this policy and/or recommend the same to the Board for approval.

The Audit Committee / Board shall ensure that that the transaction is in the interest of the Company and its shareholders before approving the relevant Related Party Transactions, which are not in Ordinary Course of Business and not on arm's length basis.

In the case of Transactions which are frequent and regular in nature and are in the normal course of business of MRPL, the Audit Committee may fix up Limits within which the management may carry out such Transactions without any approval of the Audit Committee. Further, it shall periodically review and assess such limits and revise the same as deemed appropriate and ensure that they are in compliance of this Policy and the guidelines herein.

- B. All Material Related Party transactions, other than the exempted transactions in MRPL being a listed Company shall require prior Shareholders approval by way of Special Resolution in General Meeting.**

No Shareholder of MRPL, if such a shareholder is a related party with reference only to the contract or arrangement for which the said special resolution is being passed shall vote on any such special resolutions.

- C. Related Party Transactions not previously approved**

Where any contract or arrangement is entered into by a director or any other employee of MRPL with a related party, without obtaining the consent of the Board or approval by a resolution in the general meeting, where 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 Board and if the contract or arrangement is with a related party to any director, or is authorized by any other director, the directors concerned shall indemnify MRPL against any loss incurred by it.

MRPL may proceed against a director or any other employee who had entered into such contract or arrangement in contravention of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement and shall take any such action, it deems appropriate.

## **10.0 Disclosure**

Particulars of Contracts and arrangements with Related Party covered under this policy requiring shareholder's approval shall be appropriately referred to in the Board's Report to the shareholders along with the justification for entering into such contract or arrangement.

## **11.0 Exemptions**

### **A. General**

Nothing contained in this policy shall apply to any contract or arrangement—

- (i) In the ordinary course of its business, and
- (ii) At arms' length price basis between MRPL and
  1. Any other firm in which Director or KMP or their Relatives are partner.
  2. Service availed in a professional capacity from body corporate/person.
  3. Contract with a private or public company in which relative of a Director or KMP is a director/member.

The following transaction(s) undertaken by any Independent Director with MRPL or its subsidiary or associate company during the year and during two immediately preceding financial years shall not fall within the ambit of pecuniary relationship with the Company:

- a. Receipt of remuneration by way of sitting fees;
  - b. Re-imbusement of expenses for attending board and other meetings;
4. Transactions entered into by MRPL with any Government Companies.
  5. Transactions entered into between MRPL and its wholly owned subsidiary whose accounts are consolidated with MRPL and placed before the shareholders at the general meeting for approval.

**B. Specific**

However, the following transactions with the related parties shall be treated as transaction on arm length's basis provided

- (i) "Sale of company finished product (Oil, Gas Vap's)/services/others including scrap sale at rates or charges involved are determined by competitive bids/ fixed by Govt.
- (ii) Where Purchase of product/ availing of services at rates or charges are determined by competitive bids
- (iii) Lease rent receipt /payment at market rate/municipal/local body board standard rate

**12.0 Registers& Disclosures**

The Company Secretary shall maintain a register, either physically or electronically, as prescribed in the Act, giving details of all contracts or arrangements to which this policy applies.

Every director or key managerial personnel shall, within a period of thirty days of his appointment, or relinquishment of his office in other Companies, as the case may be, disclose to the Company the particulars relating to his/her concern or interest in the other associations which are required to be included in the register maintained.

The Company Secretary shall provide extracts from such register to a member of the Company on his request, within seven days from the date on which such request is made upon the payment of such fee as may be specified in the articles of the Company but not exceeding ten rupees per page.

The register to be kept under this section shall also be produced at the commencement of every Annual General Meeting of the Company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting.

The register shall be preserved permanently and shall be kept in the custody of the Company Secretary of the Company or any other person authorized by the Board for the purpose.

**13.0 Records / Supporting documents required for establishing the ordinary course of business and arm's length pricing of a transaction with a Related Party**

**(a) Purchase/sale of material, goods etc.**

- (i) Copy of agreements/Purchase Orders/correspondence exchanged/ letters of exchange /bills/ invoices etc.
- (ii) Invoices/ bills of similar transactions on same date or nearby date with un-related parties from the seller.
- (iii) Quotation from un-related service provider

**(b) Purchase/ sale of property**

- (i) Valuation reports from at least 2 independent valuers to ascertain Fair Market Value.
- (ii) Quotations from 2 independent property dealers/brokers.
- (iii) Draft copy of agreement to sell/Draft of proposed sale deed.
- (iv) Brief terms and conditions and justification of such transaction.

**(c) Availing/ Rendering Services**

- (i) Copy of Agreement/ MOU/ Correspondence etc.
- (ii) Supporting documents justifying the transaction on arm's length basis.

**(d) Loans/ Advances given or Taken**

- (i) Compliance of Section 185, 186 and other applicable provisions of the Companies Act, 2013 and rules thereunder.
- (ii) Agreements

(iii) Statutory approvals wherever required.

(iv) Rate of Interest and justification for the same in view of nearest prevailing G-SEC rate for the term of the Loans/Advances (wherever applicable).

**(e) Guarantee/ Securities**

(i) Compliance of Section 185, 186 and other applicable provisions of the Companies Act, 2013 and rules there under.

(ii) Agreements.

(iii) Other documents justifying the same.

**(f) Subscription to shares/debentures/securities**

Valuation Report or documents justifying that subscription is done/received at a rate on which placement has been made/shall be made to an un-related party.

**(g) Rent Agreement**

(i) Copy of draft agreement.

(ii) Quotation from a property dealer/ advisor in the area in which the property is located or a nearby area.

(iii) If quoted prices are substantially lower / higher than existing, to seek second quotation.

**(h) Other transactions**

Agreements or other supporting documents along with proper justification of the transaction being on arm's length basis in the ordinary course of business at a prevailing market rate.

**Disclosures -**

A. Details of all material transactions with related parties are to be disclosed quarterly alongwith the compliance report on corporate governance.

B. The Company shall disclose the contract or arrangements entered into with the Related Party in the Board Report to the shareholders along with the justification for entering into such contract or arrangement.

C. The Company shall disclose this policy relating to Related Party Transactions on its website and also in the Annual Report.

**12.0 Review, modifications and amendments in the policy**

(i) The policy shall be reviewed and updated by the board of directors at least once in every three years subject to recommendation of the Audit Committee.

(ii) The Audit Committee may review and amend this policy as may be required from time to time in accordance with the provisions of the Companies Act, 2013, rules made therein, the SEBI (LODR) including any further amendments and notifications as may be made effective in this regard. Any subsequent notification, circular, guidelines or amendments under Companies Act, 2013, SEBI (LODR) , accounting standards and all other applicable laws, as may be issued from time to time shall be mutatis mutandis applicable without any further modification or amendment in this policy.

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**ANNEXURE**

To,  
**The Company Secretary**  
**Mangalore Refinery and Petrochemicals Limited**

Dear Sir,

I, -----, being a member of the Board of Directors / Key Managerial Personnel of Mangalore Refinery and Petrochemicals Limited hereby acknowledge, confirm and certify that:

- i. I am aware of the Policy for Related Party Transactions of the Company.
- ii. During the financial year ----- I have entered into the following contracts/ arrangements/ transactions with the Company and such contracts/arrangements/transactions qualify as “Related Party Transactions” as per the Policy.
- iii. I am not aware of any non-compliance with the said policy.

<b>Brief Particulars of the Transaction</b>	<b>Date of the transaction</b>	<b>Value of the Transaction</b>	<b>Reasons for qualifying it as Related Party Transaction</b>	<b>Remarks – whether in the ordinary course of business and on arm’s length basis.</b>

**Signed:**

**Name :**

**Designation :**

**Date :**

**Place :**