

OIL AND NATURAL GAS CORPORATION LTD
(CIN: L74899DL1993GOI054155)
RELATED PARTY TRANSACTIONS - POLICY & PROCEDURES, 2014

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 **Oil and Natural Gas Corporation Limited ("The Company" "ONGC")**, 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 Listing Agreement with the Stock Exchanges, 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 ("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 Clause 49 of the Listing Agreement 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 ONGC with Related Party in its ordinary course of business and on an arm's length basis, shall be periodically reported to the A&EC/ Board

4.0 Definitions

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

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.

B) **“Board”** means the Board of Directors of ONGC.

C) **“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;

D) **“Key Managerial Personnel”** means

- (i) Chairman & Managing Director
- (ii) All Functional Directors
- iii) and Company Secretary of the Company.

E) **“Listing Agreement”**- means the Listing Agreement signed with the Stock Exchanges.

F) **“Material Related Party transactions”** means those transactions entered into with ONGC by a related party, individually or taken together with previous transactions during a financial year, exceeds 10 percent of the annual consolidated turnover/Net worth etc as per the last audited financial statements of the Company or ₹100 Crore whichever is lower in accordance with the MCA circular dated 14.08.2014 or any amendment thereof.

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

H) “Related Party” - A Related Party is a person or entity that is related to ONGC. Parties are considered to be related, if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

- (i) Any Director of ONGC or his/her Relative;
- (ii) Any Key Managerial Personnel (KMP) of ONGC or his/her Relative;
- (iii) A firm, in which any Director or KMP of ONGC or his/her relative is a partner;
- (iv) A private Company in which any Director or KMP of ONGC is a member or a director;
- (v) a public Company in which any Director or KMP of ONGC 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 any Director or KMP of ONGC;
- (vii) Any person on whose advice, directions or instructions any Director or KMP of ONGC is accustomed to act: provided that nothing in sub-clauses (v) and (vi) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) any Company which is—
 - (a) a subsidiary/ an associate/joint venture Company of the ONGC; or
 - (b) a subsidiary of a subsidiary of ONGC;
- ix) Any other entity/person who is a related party under Section 2(76) of the Companies Act, 2013 or under the applicable accounting standards."

I) “Relatives” - with reference to Director or KMP of ONGC, 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

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

As per Section 188 of the Act:

- (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 ONGC, its subsidiary Company or associate Company; and
- (g) Underwriting the subscription of any securities or derivatives thereof, of ONGC;

As per Clause 49 of the Listing Agreement:

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

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 executory contracts¹ (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.

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.

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) a subsidiary or an associate Company of the ONGC; or
 - (b) a subsidiary of a subsidiary of ONGC;

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:

- (a) All Whole Time Directors,
- (b) Functional/ Departmental/ Unit Head of each Asset/ Plant/ Basin/ Unit/ Institute of ONGC
- (c) Business & Development & Joint Venture Department,
- (d) Head - Corporate Accounts Department,
- (e) Any other Departmental Head/ officer whom he believes might be in the position to assess whether the proposed Transactions are covered under RPT.

The concerned Functional / Departmental/ Unit head etc shall arrange to nominate a nodal Officer at their location, having knowledge of Companies Act, 2013, preferably officers from Legal/ Finance Deptt.. The designated Nodal Officer shall ascertain whether any transaction in the concerned unit/asset/department/institute 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.

7.0 Road Map to Track RPT

For prospective/ potential Related Party Transaction, it is essential to identify the transaction at Proposal/PR/Contract stage, at the unit level. As such, there is a requirement of amendment in the vendor master and customer master by Material Management & SD group where one mandatory field of related party identifier (trading partner) shall pop-up and compulsorily be released by such designated nodal officer - before creation/ amendment of any vendor master/ Customer. Similarly all the Finance executives at the units need to ensure that any transaction with related party whether on arms length's basis or otherwise is booked properly through such vendor master/ customer so that SAP can capture all the related party

transactions to generate the categorically Report i.e transaction on arm length's basis/other than arm length's basis, by Corporate Accounts with the support of the Nodal Officers at the concerned locations for reporting/seeking approval of A&EC/Board in time as per this policy.

A core committee comprising of MM, ICE and Corporate Accounts shall be constituted to finalise the road map for implementing the operational part of the policy for identification of the RPT through SAP. This Committee shall meet periodically to review the progress of implementation.

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 transaction is on arm's length basis.

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 ONGC and on arm's length basis shall be periodically reported to the Audit Committee/Board.

The Nodal Officer shall ensure that details of such transactions which he considers to be in Ordinary Course of Business of ONGC and on arm's length basis, are brought to the notice of Functional/ Departmental/ Unit Head of each Asset/ Plant/ Basin/ Unit/ Institute and thereafter shall be notified to Head Corporate Accounts, who shall designate an officer to collate the data.

The data so collated shall be submitted to the Company Secretary for placing before the next meeting of the Board through the Audit Committee. Transactions being entered into with the related parties even though being in the ordinary course of business of the company shall satisfy the criteria of arm's length pricing. It shall be the responsibility of the Nodal Officer at level of Asset/Unit etc to ensure that requisite evidence and documentation are made available to the Auditors/Audit Committee/Board, as may be required by them, to demonstrate that the transactions are in Ordinary Course of Business of ONGC and have been conducted on arm's length basis.

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 ONGC 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 ONGC, 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 ONGC being a listed Company shall require prior Shareholders approval by way of Special Resolution in General Meeting.

No Shareholder of ONGC, 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.

In the case of ONGC Videsh, a wholly owned subsidiary, the Special Resolution passed by the ONGC shall be sufficient for the purpose of entering into the transactions between wholly owned Subsidiary and Holding Company within the limits approved by the Shareholders.

Related Party Transactions not previously approved

Where any contract or arrangement is entered into by a director or any other employee of ONGC with a related party, without obtaining the consent of the Board or approval by a special 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 ONGC against any loss incurred by it.

ONGC 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 ONGC 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 ONGC 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:

- (i) receipt of remuneration by way of sitting fees;
- (ii) re-imbusement of expenses for attending board and other meetings;

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 there under.
- (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 along with 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.

ANNEXURE

To,
The Company Secretary
Oil and Natural Gas Corporation Limited

Dear Sir,

I, -----, being a member of the Board of Directors/Senior Management of Oil and Natural Gas Corporation 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.

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

Signed:

Name :

Designation :

Date :

Place :