



Oil and Natural Gas Corporation Limited

(A Government of India Enterprise)

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ONGC - POLICY ON RELATED PARTY TRANSACTIONS

(As approved by the Board of Directors on 16th March, 2020)

Oil and Natural Gas Corporation Limited

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Oil and Natural Gas Corporation Limited (ONGC/ the Company), a Maharatna, Central Public Sector Enterprise, under the administrative control of the Ministry of Petroleum and Natural Gas, Government of India, is the lead Exploration and Production Company in India with presence in refining and marketing of petroleum products through subsidiaries and joint ventures.

1. Introduction

ONGC recognizes that Related Party Transactions (as defined below) may pose potential or actual conflicts of interest and may raise questions whether such transactions are in the larger interest of the Company as well as the stakeholders concerned and in compliance with the provisions of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This policy as duly modified and adopted by the Board of Directors of the Company at the 326th meeting held on 04.03.2020 under the nomenclature “**ONGC - Policy on Related Party Transactions**” shall be implemented with immediate effect.

1.2 Scope and purpose of the policy

The Board of Directors of the Company upon the recommendation of Audit Committee has adopted this Policy on Related Party Transactions. The policy envisages the procedure governing Related Party Transactions required to be followed by the Company to ensure compliance with the requirements under law.

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations) became effective from 01st December, 2015. Further, Regulation 23 stipulates that all listed companies shall formulate a **policy on materiality of related party transactions and also on dealing with related party transactions** including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly. Accordingly, this policy has been framed and adopted by the Board in supersession of the earlier policy on the subject followed under the erstwhile Listing Agreement.

2. Definitions

2.1 Act means the Companies Act, 2013 including any amendment or modification thereof.

2.2 Arm's Length Transaction means a transaction between two related parties that is conducted as if they were unrelated.

2.3 Associate Company a company as defined under section 2(6) of the Act and as defined by Indian Accounting Standard (**Ind AS**) 28 on Accounting for Investments in Associates in Consolidated Financial Statements.

2.4 Audit Committee means the Committee of the Board constituted under Section 177 of the Act and Regulation 18 of the Listing Regulations.

2.5 Board or Board of Directors means the collective body of directors of the Company.

2.6 Body Corporate means an entity as defined under section 2(11) of the Act.

2.7 Company or ONGC means Oil and Natural Gas Corporation Limited.

2.8 Director means a person as defined under section 2(34) of the Act.

2.9 Employees shall mean the employees and officers of the Company, including but not limited to Whole-time Directors.

2.10 Key Managerial Personnel, as defined under section 2(51) of the Act, in relation to the Company, shall mean -

- i. Chief Executive Officer or the Managing Director or the Manager;
- ii. Company Secretary;
- iii. Whole-time Director;
- iv. Chief Financial Officer;
- v. Such other officer as may be prescribed.

2.11 Listing Regulations means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as may be modified from time to time.

2.12 Material Related Party Transaction means all RPTs having value exceeding the threshold limits as prescribed for approval by the members under the Listing Regulations and/ or the Companies Act, 2013, whichever is lower.

2.13 Ordinary course of business:

Ordinary course of business means the usual/ routine/ regular business transactions undertaken by the Company in normal course of conducting its business operations and activities, which includes-

- (i) Payment of remuneration, including the monthly salary, performance related pay, and ex-gratia/reward for services, to Functional Directors and Key Managerial Personnel,
- (ii) Payment of sitting fee to the Independent Directors;
- (iii) Payment of expenditure incurred on travel, conveyance, boarding, lodging and on other expenditure incidental thereto, incurred by the Company in connection with the discharge of official duties by the Directors and Key Managerial Personnel;

Guidance Note on RPTs issued by the Institute of Companies Secretaries of India, inter-alia suggest the following factors for deciding whether an activity which is carried on by the business is in the 'ordinary course of business',:

- a. Whether the activity is covered in the objects clause of the Memorandum of Association;
- b. Whether the activity is in furtherance of the business;
- c. Whether the activity is normal or otherwise routine for the particular business (i.e. activities like advertising, staff training, etc.);
- d. Whether the activity is repetitive/frequent;
- e. Whether the income, if any, earned from such activity/transaction is treated as business income in the company's books of account;
- f. Whether the transactions are common in the particular industry;
- g. Whether there is any historical practice to conduct such activities business;
- h. The financial scale of the activity with regard to the operations of the business;
- i. Revenue generated by the activity; and
- j. Resources committed to the activity.

The above list is not exhaustive. Individually, none of the above parameters can tantamount a transaction being in the ordinary course of business.

2.14 Policy means ONGC - Policy on Related Part Transactions.

2.15 Related party – A 'related party' means a related party as defined under Section 2(76) of the Companies Act, SEBI (LODR) Regulations or under the applicable accounting standards.

Further, any person or entity belonging to the promoter or promoter group and holding less than 20% of shareholding shall not be deemed to be a related party.

Section 2(76) of the Companies Act defines related party with reference to a company 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/ manager is a member or director;

- (v) A public company in which a director/ 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/ manager excluding advice, directions or instructions given in a professional capacity;
- (vii) Any person on whose advice, directions or instructions a director/ manager is accustomed to act, excluding advice, directions or instructions given in a professional capacity;
- (viii) Any company which is a holding, subsidiary or an associate company or a subsidiary of a holding company to which ONGC is also a subsidiary;
- (ix) Such other person as may be prescribed such as a director other than Independent Director or Key Managerial Person of the Company or his relative, shall be deemed to be a Related Party for the Company.

2.16 Related party Transactions means a transaction, entered/ to be entered with related party/ parties of the Company, as specified either under the provisions of the Companies Act, 2013 or under Regulation 2(1)(zc) of the Listing Regulations.

2.17 Relative:

Relative”, with reference to any person, 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 such manner as may be prescribed, which is as follows:
 - (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)

2.18 Subsidiary means a company as defined in Section 2(87) of the Companies Act, 2013.

2.19 Aforesaid definitions and any other term defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Regulations, Securities Contract

Regulation Act, SEBI Act or any other applicable law or regulation as may be applicable from time to time.

3. Procedures

3.1 Identification of Related Party

- 3.1.1** Corporate Accounts Department shall prepare and maintain the list of Related Parties as required for preparing the Notes to the Accounts. The list shall be maintained in SAP so that Related Party and transactions related thereto can be accessed/ downloaded in a centralized manner.

Company Secretary shall seek quarterly information from CEO/CS of direct subsidiaries of ONGC (presently OVL, HPCL, MRPL and PMHBL) seeking requisite details regarding subsidiaries incorporated/ acquired by these subsidiaries to include such new entities in the list of Related Parties of the Company. Further, Company Secretary shall provide new subsidiaries, joint venture & associate company, change in related parties based on information received from subsidiaries and details of Directors and their relatives, firms and body corporates in which such directors or their relatives are interested based on board records from time to time.

3.2 Identification of Related Party Transactions

- 3.2.1** The Key Executive(s) in coordination with Local Finance In-charge shall bring to the notice of any potential related party transactions to the Company Secretariat through the Functional Director concerned.
- 3.2.2** The Company Secretariat shall review the information and suggest appropriate actions including prior approval, if any, required from Audit Committee or Board or the Shareholders of the Company.

4. Review and approval of Related Party Transactions

4.1 Functional Directors

Functional Directors shall review Related Party Transactions (RPTs) undertaken under their administrative control to ensure that all RPTs are within approved limits.

4.2 Audit Committee

- 4.2.1 All the transactions** with the related party, *except the transactions entered with other government company/companies*, require the prior approval of the Audit Committee, in terms of regulation 23(2) of the Listing Regulations. Further, subsequent modification of such transaction also require the approval of the Audit Committee as provided under section 177(4)(iv) of the Act. The Audit committee

shall consider the proposal along with requisite details as stipulated under the relevant statutory provisions.

4.2.2 Any member of the Audit Committee who has a potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

4.2.3 The Board shall approve the criteria for omnibus approval as recommended by the Audit Committee.

4.2.4 Further, the omnibus approval for each financial year will be considered and approved by the Audit Committee on or before 31st March of previous financial year. But in any case no RPT would be carried out without prior approval of Audit Committee either by way omnibus approval or specific approval thereto excepting transactions with wholly-owned subsidiary, presently the ONGC Videsh Limited.

4.2.5 All the related party transactions entered into during each quarter shall be consolidated by the Corporate Accounts department and submitted to the Audit Committee for review, as duly approved by the Director (Finance), along with Quarterly/ Annual Accounts.

4.2 Board of Directors

4.2.1 The Company shall enter into any contract or arrangement with a related party with respect to a transaction as specified under Section 188(1) of the Act, only with prior consent of the Board of Directors given by way of a resolution of the Board, and subject to such conditions as may be prescribed under the Act from time to time.

4.2.2 However, no such approval of the Board shall be required for the transactions entered into with other government company/ companies or any transaction entered into by the Company with a related party in the '**ordinary course of business**' and at '**arm's length basis**', as specifically provided under the Act.

4.2.3 Any member of the Board who has any potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

4.3 Shareholder approval

4.3.1 All related party transactions require prior approval of the Company pursuant to Section 188 shall be subject to applicable provisions under relevant Rules issued thereunder.

4.3.2 Material Related Party transactions under Listing Regulations shall be subject to prior approval of the Company subject to the provisions of Regulation 23.

4.3.3 Aforesaid approval may be taken either at a general meeting or through postal ballot.

4.3.2 However, no member of the Company who is related to the transaction shall not vote on resolution for prior approval or, as the case may be, ratification.

5 Periodical Reporting

5.1 Quarterly review report to Audit Committee in terms of Para 4.1.5 above;

5.2 Half-yearly reporting within 30 days from the date of publication of its financial results for the half year, disclosing the related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

5.3 Annual Report by way of annexure to the Board's Report in prescribed format of AOC-2.

6. Disclosures

6.1 Every Director of a Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into –

6.1.1 With a body corporate in which such director or such director in association with any other director, holds more than two per cent. shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or

6.1.2 With a firm or other entity in which, such director is a partner, owner or member, as the case may be;

shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting:

Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

6.2 The transaction entered into with the related party/ies shall be disclosed in the Annual Report/Accounts as per the disclosure requirement of the Companies Act, 2013 and Schedule V of the Listing Regulations.

6.3 The particulars of all the Related Party Transaction entered into with the approval of the Audit Committee / Board of Directors / Shareholders shall be entered into the Register of Contract or Arrangements in which Directors are interested, maintained by the Company and all the compliance related thereto shall be done by the Company Secretary as per the provisions of the Companies Act, 2013 and Listing Regulations.

6.4 The Policy on Related Party Transaction shall be disclosed on the website of the Company and a web link thereto shall also be provided in the Annual Reports of the Company.

This policy may be amended with the due approval of the Chairman and Managing Director for aligning with the amendment(s) to applicable regulation from time to time and details thereof be placed before the Audit Committee and the Board at the ensuing meetings.
