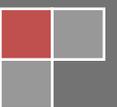


2014

Petronet LNG Limited

Related Party Transactions Policy

Version 1.0



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1. Background:

The Securities and Exchange Board of India (“SEBI”) with an objective to align its provision to the Companies Act, 2013 has Revised Clause 49 (“Clause 49”, “RC 49”) of the Listing Agreement, which is effective from 1st October, 2014. The RC 49 requires that the Company should prepare and disclose policy on dealing with Related Party Transactions on its website and in the Annual report.

2. Framework

This policy is framed as per requirement of Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

As part of its Corporate Governance practices, the Board of Petronet has adopted the following policy and procedure with regard to Related Party Transactions.

The policy will regulate transactions between the Company and its Related Parties based on the applicable laws and regulations.

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3. Definitions:

- **“Audit Committee or Committee”** means “Audit Committee” constituted by the Board of Directors of the Company under provisions of Listing agreement and Companies Act, 2013, from time to time.
- **“Arm’s length”** as per section 188(1)(b) of the Companies Act, 2013 means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- **“Board of Directors” or “Board”** means the Board of Directors of Petronet, as constituted from time to time.
- **“Key Managerial Personnel” or “Key Management Personnel” or “KMP”** means Key Managerial Personnel as defined under the Companies Act, 2013 and the Rules made thereunder which include (i) the Chief Executive Officer or the managing director or the manager; (ii) the Company Secretary; (iii) the Whole-time director; and (iv) the Chief Financial Officer
- **“Material Related Party Transaction”** means any transaction / transactions to be entered into individually or taken together with previous transactions during a financial year exceeding *ten percent* of the annual consolidated turnover of the Company as per its last audited financial statements.
- **“Policy”** means Related Party Transaction Policy.
- **“Related Party”** means an entity which
 - a) is a related party under Section 2(76) of the Companies Act, 2013; or
 - b) is a related party under the Accounting Standard 18 (AS 18) “ Related Party Disclosures”

Section 2(76) of Companies Act 2013 defines “related party” as:-

- 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:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

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- viii) any company which is—
 - a holding, subsidiary or an associate company (includes joint venture) of such company; or
 - a subsidiary of a holding company to which it is also a subsidiary;
- ix) *Director, other than an independent director, or Key Managerial Personnel of the holding company or his relative shall be deemed to be related party.*

“Relatives”: “Relative”, with reference to any person, means anyone who is related to another, if—

- they are members of a Hindu Undivided Family;
- they are husband and wife; or
- one person is related to the other in such manner as may be prescribed, which is as follows:
 - Father (including step-father)
 - Mother (including step-mother)
 - Son (including step-son)
 - Son’s wife
 - Daughter
 - Daughter’s husband
 - Brother (including step-brother)
 - Sister (including step-sister)

Para 3 of AS 18 “Related Party Disclosures” defines related parties as:-

- i. enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);
- ii. associates and joint ventures of the reporting enterprise and the investing party or venture in respect of which the reporting enterprise is an associate or a joint venture;
- iii. individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
- iv. key management personnel and relatives of such personnel; and

enterprises over which any person described in (iii) or (iv) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

- **“Related Party Transaction” or “RPT”** means transaction in the nature of contract involving 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.

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- **“Significant influence”** means:
 - (i) significant influence as defined in section 2 (6) of the Companies Act, 2013; or
 - (ii) significant influence as defined in Accounting standard 18

Section 2(6) of Companies Act 2013 defines “significant influence” as:-

Control of at least twenty (20%), of total share capital, or of business decisions under an agreement

AS 18 defines “significant influence” as:-

Participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.

Note: Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Agreement, Securities Contract Regulation Act, 1956 or any other applicable law or regulation.

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4. Policy:

All Related Party Transactions must be reported to the Audit Committee for its pre-approval in accordance with this Policy.

4.1 Identification of Potential Related Parties

The following process shall be followed to ensure all related parties are identified in order to obtain the requisite approvals for any transactions with such related parties.

Every director and Key Managerial Personnel (KMPs) shall disclose their interest (including interest of their Relatives) in other companies, firms or concerns and their relatives that may be considered as related party under this policy at the beginning of the every financial year or whenever there is any change in the disclosures already made to the Company Secretary.

In addition, all Directors and KMPs are responsible for declaring to the Company Secretary of any potential as well as any change in the Related Party Transaction involving him/her or his or her relative well in advance so that requisite approvals can be taken timely.

4.2 Approval process

I. Audit Committee

All Related Party Transactions shall require pre-approval of the Audit Committee. The Audit Committee may grant omnibus approval for the proposed transactions of the repetitive nature. 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 details as the Audit Committee may deem fit;

However for Related Party Transactions of unforeseen nature for which aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding INR 1 Crore per transaction.

The Audit Committee before granting omnibus approval shall satisfy itself about the need for such omnibus approval and such approval is in the interest of the Company. Omnibus approvals given by Audit committee will be valid for a period not exceeding one year. Fresh approvals will be granted after the expiry of one year.

Audit Committee shall review the details of RPTs entered into by the Company pursuant to each of the omnibus approval given on a quarterly basis.

Any transaction to be entered into by any department with the related party(s) needs to be reported to the Company Secretary well in advance for taking the requisite approval. The responsibility of reporting such transaction rests with HOD of the department concerned. In term of Section 2(76)(viii) of the Companies

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Act 2013, the following companies and their subsidiary/holding companies are the related parties currently.

1. BPCL
2. GAIL
3. IOCL
4. ONGC
5. Adani Petronet (Dahej) Port Pvt Ltd

All Related Party Transactions listed under Sec 188(1) of the Companies Act which are not in the ordinary course of business or not on arm's length basis shall be referred to the Board of Directors for their approval.

II. Board of Directors

Board's approval is required for the following related party transactions that are not at arm's length and / or in the ordinary course of business and pertaining to:

- 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 the company, its subsidiary company or associate company; and
- g) underwriting the subscription of any securities or derivatives thereof, of the company

Any member of the Board, who has a potential interest in any Related Party Transaction, shall abstain from voting on the approval or ratification of such Related Party Transaction.

III. Shareholders' Approval

All transactions that are approved by the Board of the Company exceeding the threshold prescribed under the Companies Act shall require the approval of the shareholders by ordinary resolution. Following are the threshold limits for the transactions as prescribed under the Companies Act.

Sr No	Prescribed Transaction Category	Thresholds - Companies Act, 2013
1	Sale, purchase or supply of any goods or materials (directly or through appointment of agents)	Exceeding 10% of the turnover of the company or INR 100 Crore, whichever is lower*
2	Selling or otherwise disposing of, or buying, property of any kind (directly or through appointment of agents)	Exceeding 10% of net worth of the company or INR 100 Crore, whichever is lower*

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3	Leasing of property of any kind	Exceeding 10% of the net worth or 10% of turnover of the company or INR 100 Crore, whichever is lower*
4	Availing or rendering of any services directly or through appointment of agents	Exceeding 10% of the turnover of the company or INR 50 Crore, whichever is lower*
5	Appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration	Exceeding INR 2.5 lakh
6	Remuneration for underwriting the subscription of any securities or derivatives thereof of the company	Exceeding 1% of the net worth

*Applies to transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year

However all the related party transactions shall require the approval of the shareholders by special resolution once they meet the threshold prescribed under the Clause 49 of SEBI Listing agreement i.e. 10% of the annual consolidated turnover of the Company as per the last audited financial statements. All the related parties shall abstain from voting on such resolutions.

4.3 Related Party Transactions not previously approved

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Audit Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Audit Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Audit Committee deems appropriate under the circumstances.

4.4 Disclosure(s)

Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance to the stock exchanges. The Company shall disclose the policy on dealing with RPTs on its website and a website link in the Annual Report. The Company shall also disclose the names of the related parties, their relationship with the Company, transactions done during the year and their outstanding balances in the notes to the accounts. The details of all the arrangements/contracts as defined under Sec 188(2) of the Companies Act with the related party shall be disclosed in the board report.

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5. Monitoring of the Policy

The Company Secretary shall review the compliance with this policy and ensure that requisite systems are in place for identification and approval of Related Party Transactions as per this policy.

6. Amendments:

The Company reserves the right to amend or modify this Policy in whole or in part, at any point of time. The policy may stand amended in case of any amendments / clarifications in the provisions of the Companies Act, 2013 and rules thereto, Listing Agreement and any other applicable laws.

In case of any clarifications required with respect to this policy, kindly contact the Company Secretary.