

COAL INDIA LIMITED

RELATED PARTY TRANSACTION POLICY

Coal India Limited ("CIL" or "Company") a Maharatna, Central Public Sector Enterprise, under the administrative control of the Ministry of Coal, Government of India is the single largest coal producer in the world. CIL is an apex body with 7 wholly owned coal producing subsidiaries and 1 mine planning and consultancy company spread over 8 provincial states of India. CIL in the course of its business operations is required to enter into various transactions with its subsidiaries and other related parties.

1. Scope and Purpose of this policy:

- A. The Companies Act, 2013, the Rules framed thereunder as well as Regulation 23 of SEBI LODR, contain detailed provisions on Related Party Transactions.
- B. CIL is governed by the rules and regulations framed by Securities Exchange Board of India ("SEBI") pursuant to which it had adopted its Related Party Transaction Policy ('Policy/RPT Policy') in terms of Clause 49 of the erstwhile Equity Listing Agreement in its meeting held on [*]. Further, the said Policy was revised on [*] in view of the enactment of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 ('SEBI LODR') and Section 14 of the Companies (Amendment) Act, 2015.
- SEBI has further amended the SEBI LODR by enacting the SEBI LODR (Amendment) Regulations, 2018 which mandates every listed company to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.
- C. This Policy has been framed as per the requirements of the Regulation 23 of SEBI LODR (defined here-in-below) and is intended to ensure proper approval and reporting of the concerned transactions between the Company and its Related Parties.
- D. The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, Regulation 23 of the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.
- E. The Board recognizes that certain transactions present a heightened risk of conflicts of interest or the perception thereof. Therefore the Board has adopted this Policy to ensure that all Related Party Transactions with Related Parties shall be subject to this Policy and approval or ratification in accordance with Applicable Law. This Policy contains the policies and procedures governing the review, determination of materiality, approval and reporting of such Related Party Transactions.
- F. The Board or the Audit Committee of the Board ("Audit Committee") subject to confirmation by Board, shall review the Policy once in three years and may update the same from time to time.



COAL INDIA LIMITED

RELATED PARTY TRANSACTION POLICY

2. Effective Date

This Policy shall come into effect from the date of its adoption by the Board.

3. Definitions

“Act” shall mean the Companies Act, 2013 and includes any amendment thereof.

“Applicable Law” means the Companies Act, 2013 and the rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR) (including any modifications/ re-enactments thereof) and includes any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.

“SEBI LODR” means the SEBI (Listing Obligations and Disclosure Requirements) Regulation 2015 and includes any amendment thereof.

All words and expressions used in this Policy, unless defined herein shall have the meaning assigned to such term in the Act and the Rules thereunder and the SEBI LODR, as amended from time to time.

4. Review, recommendation and approval of Related Party Transaction

Approval of Related Party Transactions

A. Audit Committee

- (i) All related party transactions except transaction with government company/companies and transaction entered with wholly owned subsidiaries whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval shall require prior approval of the Audit Committee.
- (ii) In case of transaction, other than transactions referred to in section 188, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board.
- (iii) Audit committee may grant omnibus approval for related party transactions which are repetitive in nature proposed to be entered into by the company. The omnibus approval shall be provided subject to following conditions -
 - (a) the Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;



COAL INDIA LIMITED

RELATED PARTY TRANSACTION POLICY

- (b) the Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy.
- (c) the omnibus approval shall specify:
 - i. the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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;
- (d) 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 rupees one crore per transaction.
- (e) 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 approvals given.
- (f) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- (g) Any member of the Committee who has interest in any Related Party Transaction shall disclose his interest and shall not participate in such meeting.

(iv) Omnibus approvals shall be granted based on the following:

- a. Frequency of the transactions in the last [3] years;
- b. Volumes of transactions undertaken with such Related Party. The maximum value of the transactions, per transaction or in aggregate, per related party, shall not exceed the lower of the following –
 - 1. the threshold limit as provided under Para C (i) (a) and (b) of this clause given under SEBI LODR; or
 - 2. the threshold limit as provided under Para C (i) (c) of this clause given under the Act, 2013.

(v) Disclosure of the following matters to the Audit Committee at the time of seeking omnibus approval in a manner so as to enable effective decision making:

- a. Projected growth rate in the business with the Related Party in the financial year for which omnibus approval is sought.
- b. Contractual terms offered by third parties for similar transactions



COAL INDIA LIMITED

RELATED PARTY TRANSACTION POLICY

- c. Adherence to any conditions on the contractual terms with such Related Parties for instance floor and cap on the pricing, credit terms, escalation in costs, quality checks etc.
- (vi) Notwithstanding the generality of foregoing, Audit Committee shall not grant omnibus approval for following transactions:
- Transactions which are not in ordinary course of business or not on arm's length basis;
 - Transactions in respect of selling or disposing of the undertaking of the Company;
 - Transactions which are not in the interest of the Company;
 - Such other transactions specified under Applicable Law from time to time.

B. Board of Directors

- (i) 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, in addition to approval of Audit Committee and subject to such conditions as may be prescribed under the Act from time to time.
- (ii) Information in such form and manner as prescribed in the Act and / or SEBI Listing Regulations would be provided to the Board.
- (iii) However, no such approval of the Board shall be required for the transactions 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.
- (iv) Any member of the Board who has any interest in any Related Party Transaction shall disclose his interest and shall not participate in such meeting.

C. Shareholders

- (i) The following transactions with related parties shall require prior approval of the shareholder through ordinary resolution:
- a. Any contract or arrangement with a related party as specified under section 188 of the Act, which exceeds the threshold laid under Rule 15 of the Companies (Meeting of the Board and its Powers) Rules, 2014;



COAL INDIA LIMITED

RELATED PARTY TRANSACTION POLICY

- b. Any transaction with a Related Party, except for the transaction given under clause (c), 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 the last audited financial statements of the Company;
 - c. 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 five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- (ii) The transaction limits mentioned under clause (i) above are considered to be material transaction with related parties.
- (iii) The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 of Act, 2013 shall contain the following particulars, namely:-
- i. name of the related party;
 - ii. name of the director or key managerial personnel who is related, if any;
 - iii. nature of relationship;
 - iv. nature, material terms, monetary value and particulars of the contract arrangements;
 - v. any other information relevant or important for the members to take a decision on the proposed resolution.
- (iv) No member of the Company shall vote on a resolution given under clause (i) above, to approve any contract or arrangement which may be entered into by the Company, if such member is a related party.
- (v) The requirements of the aforesaid clause (i) shall not be applicable in case the transaction is entered into with another Government Company or with a wholly-owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- (vi) If 90% or more of the shareholders are relatives of Promoters or are Related Parties, shareholders can vote to approve the transactions given under clause (i) above.



COAL INDIA LIMITED

RELATED PARTY TRANSACTION POLICY

D. Ratification of Related Party Transactions

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this RPT Policy, the transaction shall be placed as promptly as practicable before the Audit Committee or Board of Directors or the Shareholders as the case may be required in accordance with this RPT Policy for review and ratification. The Audit Committee or the Board of Directors or the shareholders shall consider all relevant facts and circumstances of 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 actions as Audit Committee or the Board or the shareholders deem appropriate under the circumstances.

E. Identification of Related Parties and Related Party Transactions

- a) The Compliance Officer shall at all times:
- (i) identify the Company's Related Parties, along with their personal/ company details and compile a list thereof in accordance with SEBI LODR and the Act based on such identification as well as the disclosures provided by the Directors and Key Managerial Personnel, the details provided by the CFO or any other person responsible for Accounts & Finance function of the Company and any other information available with the Company.
 - (ii) identify such managers, departmental heads and such other employees (Designated Employees) who are responsible for entering into contracts/ arrangements/ agreements with entities for and on behalf of the Company and circulate the list of Related Parties to all such Designated Employees of the Company along with the approval thresholds for entering into transactions with such listed Related Parties.
 - (iii) set down the mechanism for reporting of such transactions proposed to be entered or entered with related parties by such Designated Employees as specified above.
 - (iv) update the record of Related Parties, whenever necessary and get it be reviewed at least once a year, as on 1st April every year.
 - (v) place before the Audit Committee [semi-annually] the record of Related Parties and the Designated Employees identified for reporting the Related Party Transactions.
 - (vi) ensure that Senior Management Personnel discloses to the Audit Committee relating to all material, financial and commercial transactions with Related Parties, where



COAL INDIA LIMITED

RELATED PARTY TRANSACTION POLICY

they have personal interest that may have a potential conflict with the interest of the listed entity at large.

b) Each Director and Key Managerial Personnel is responsible for disclosing (and periodically updating) particulars of his/her relatives and his/her interest in any other entity either as Director and/or Member and/or Partner etc. Additionally, the Director and Key Managerial Personnel shall from time to time provide notice to the Board of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request.

d) The Chief Financial Officer or any person responsible for Accounts & Finance function of the Company shall be responsible for identifying related party(ies) as per applicable Accounting Standards and reporting details of such related party(ies) to the Company Secretary.

e) All functional team members responsible for entering into any contracts / arrangements on behalf of the Company shall prepare and route a fact sheet detailing brief particulars of contract and the contracting party (including names of Directors and major shareholder of such party) either to the Chief Financial Officer or the Compliance Officer. The Chief Financial Officer or the Compliance Officer, shall review the fact sheet to determine whether the contracting party is a related party and if so whether the proposed transaction is within the approved limit and accord their clearance or otherwise to the proposed contracts/ arrangements.

f) The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance from the respective functional teams so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction and consider approvals.

F. Determination of Ordinary Course of Business

a) A transaction shall be deemed to be "in the Ordinary Course of Business" of the Company, if:

I. Any of the following conditions are met:

- (i) The transaction, including, but not limited to sale or purchase of goods or property, or acquiring or providing of services, conveying or accepting leases, transfer of any resources, hiring of any executives or other staff, providing or availing of any guarantees or collaterals, or receiving or providing any financial assistance, or issue, transfer, acquisition of any securities, is in the normal routine of the Company's business; or



COAL INDIA LIMITED

RELATED PARTY TRANSACTION POLICY

- (ii) The transaction is in the nature of reimbursements, received or provided, from or to any related party, whether with or without any mark-up towards overheads, and is considered to be congenial for collective procurement or use of any facilities, resources, assets or services and subsequent allocation of the costs or revenues thereof to such related party in an appropriate manner;

AND

II. The transaction is not-

- (i) an exceptional or extra ordinary activity as per applicable accounting standards or financial reporting requirements;

- (ii) Any sale or disposal or any undertaking of the Company, as defined in explanation (i) to clause (a) of sub-section (1) of section 180 of Companies Act, 2013.

b) In order to decide whether or not a contract or arrangement is being entered by the Company is in its ordinary course, the Company shall consider whether such contract/ arrangement is germane to attainment of the main objects as set out in its Memorandum of Association.

c) The Company may also consider whether the transaction contemplated under the proposed contract or arrangement is either similar to contracts or arrangements which have been undertaken in the past, or, in the event that such transaction is being undertaken for the first time, whether the Company intends to carry out similar transactions in the future.

d) These are not exhaustive criteria and the Audit Committee may assess transactions, considering its specific nature and circumstances.

G. Criteria for determination of Arms' length nature of the Related Party Transaction

a) The following illustrative tests may be used by the Audit Committee for ascertaining arm's length nature of contracts / arrangements that may be entered into by the Company with related parties, or any modification, variation, extension or termination thereof: -

b) The contracts/ arrangements are entered into with Related Parties, are at such prices/ discounts/ premiums and on such terms which are offered to unrelated parties of similar category/ profile.

c) The contracts/ arrangements have been commercially negotiated.



COAL INDIA LIMITED

RELATED PARTY TRANSACTION POLICY

- d) The pricing is arrived at as per the rule/guidelines that may be issued by or acceptable for the purpose of Ministry of Corporate Affairs, Government of India/ Income Tax Act, 1961, Securities and Exchange Board of India as applicable to any of the contract/ arrangements contemplated under the Companies Act, 2013, Rules framed thereunder or SEBI LODR.
- e) The terms of contract/arrangement other than pricing are generally on a basis similar to those as may be applicable for similar category of goods and services or similar category/ profile of counterparties.
- f) Such other criteria as may be issued under Applicable Law.
- g) Further, in order to determine the optimum arm's length price, the Corporation may also apply the most appropriate method from any of the following methods as prescribed under Section 92C(1) of the Income Tax Act, 1961 read with Rule 10B of the Income Tax Rules, 1962
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- (i) Comparable Uncontrolled Price method (CUP method)
 - (ii) Resale Price Method
 - (iii) Cost Plus Method
 - (iv) Profit Split Method
 - (v) Transactional Net Margin Method
 - (vi) Other Method as prescribed by the Central Board of Direct Taxes.
- h) The Audit Committee shall be entitled to rely on professional opinion or representation from the counter party in this regard.

H. Review of Related Party Transactions

- (i) To facilitate review of each Related Party Transaction for granting approval (whether specific or omnibus), the Audit Committee will be provided with all relevant information of the Related Party Transaction, including the purpose, terms and details of the transaction, the benefits, rights and obligations of the Company and the Related Party, and any other relevant information.
- (ii) The Audit Committee will consider the following factors, among others, to the extent relevant to the appropriate Related Party Transaction:
 - a. Whether the terms of the Related Party Transaction are fair and on arms- length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party?
 - b. Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any?



COAL INDIA LIMITED

RELATED PARTY TRANSACTION POLICY

- c. Whether the Related Party Transaction would affect the independence of any Independent Director?
 - d. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of, or in connection, with the proposed transaction?
 - e. Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company?
 - f. What is the purpose of, and the potential benefits to the Company from the Related Party Transaction?
 - g. What is the approximate amount of the Related Party's interest in the transaction without regard to the amount of any profit or loss? and
 - h. Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the benefits arising therefrom to the Company or Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deem relevant?
- (iii) Where Related Party transactions have been entered into prior to such transactions being placed before the Committee reasoned explanation for the same must be received from the contracting employees to the satisfaction of the Audit Committee.
- (iv) Related Party Transactions that are not on arm's length basis, irrespective whether the transactions are covered under Section 188 or not, shall not be approved by Audit Committee and shall be recommended to the Board for appropriate action.
- (v) The Audit Committee shall mandatorily review the statement of all related party transactions (as defined by Audit Committee) submitted by management.
- (vi) The Audit Committee will undertake an evaluation of the Related Party Transaction. If that evaluation indicates that the Related Party Transaction would require the approval of the Board, or if the Board in any case elects to review any such matter, the Audit Committee will report the Related Party Transaction, together with a summary of material facts, to the Board for its approval.

I. Reporting of Related Party Transactions

- (i) Every contract or arrangement, which is required to be approved by the Board or the shareholders under this Policy, shall be referred to in the Board's report to the



COAL INDIA LIMITED

RELATED PARTY TRANSACTION POLICY

shareholders along with the justification for entering into such contract or arrangement in accordance with the Act and SEBI LODR.

- (ii) The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of 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.
- (iii) The details of all the related party transaction entered into with the approval of the Audit Committee/Board of Directors/Shareholders shall be recorded into the Register of Contract or Arrangements in which Directors are interested, maintained by the Company and all compliances related thereto shall be done by the Company Secretary as per the provisions of the Act and SEBI LODR.
- (iv) The policy of Related Party Transactions shall be uploaded on the website of the Company.
- (v) Web-Link of the Policy on Related Party Transaction uploaded on the website shall be given in Annual Report of the company.

J. Limitation and Amendment

In the event of any conflict between the provisions of this Policy and of the Act or SEBI LODR or any other statutory enactments, rules, the provisions of such Act or SEBI LODR or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the SEBI LODR, Act and/or applicable laws in this regard shall automatically apply to this Policy.

