

ESL STEEL LIMITED
(Formerly known as Electrosteel Steels Limited)
(A Subsidiary of Vedanta Limited)

RELATED PARTY TRANSACTION POLICY

Document Name	Related Party Transaction Policy
Company	ESL Steel Limited
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ESL STEEL LIMITED

RELATED PARTY TRANSACTION POLICY

ESL Steel Limited (formerly known as **Electrosteel Steels Limited**) a subsidiary of **Vedanta Limited** an Integrated Steel Producer, was incorporated in 2006 as a Public Limited Company with operations in Bokaro, Jharkhand, India. In June 2018, Vedanta Limited acquired the management control of ESL ('Company') through the Corporate Insolvency Resolution Process initiated for addressing the resolution of non-performing assets of the Indian banking system. The Company is governed by the Companies Act 2013 and the rules made there under and other applicable laws if any.

The Audit Committee and the Board of Directors (the "Board") of ESL Steel Limited (the "Company"), has adopted the following policy and procedure in relation to Related Party Transactions ("Policy"). This Policy envisages the procedures governing Related Party Transactions required to be followed by the Company to ensure compliance with the applicable laws. This policy is to regulate the transactions between the Company, or its subsidiaries and their Related Parties based on the applicable laws to the Company. Audit Committee shall review and recommend amendments to the Board for this policy from time to time.

1. APPLICABILITY:

This Policy will be applicable on the Company for all the Related Party Transactions.

2. OBJECTIVE:

To define processes of all transaction with related parties and includes:

- A. the manner of dealing with the transactions between the Company and its related parties based on the Act and any other laws and regulations as may be applicable to the Company.
- B. Ensuring compliance of all applicable laws; and
- C. Ensuring proper approval, disclosure and reporting requirements of transactions between the Company and its Related Parties

3. SCOPE:

The scope of the policy begins with identification of related parties and related party transactions initiated between Related Parties and is completed with its appropriate approval, disclosure and adequate documentation.

4. DEFINITIONS:

- a) **Related Party:** Related Party will have the same meaning as defined under Section 2(76) of the Act or under the applicable accounting standards.
- b) **Relative:** Relative in relation to a Related Party shall have the same meaning as defined under Section 2(77) of the Act.
- c) **Related Party Transaction:** Related Party Transaction shall have the meaning as defined under Section 188 of the Companies Act 2013.
- d) **Arm's length Transaction:** means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.
- e) **Ordinary Course of Business:** The term transaction in the Ordinary Course of Business ('OCB') has not been defined under the Act. However, it can be interpreted as a transaction which/wherein:
- ✓ is carried out in the normal course of business envisaged in accordance with the Memorandum of Association ('MOA') of the Company as amended from time to time, or
 - ✓ is as per historical practice with a pattern of frequency, or
 - ✓ is in connection with the normal business carried on by the Company, or
 - ✓ the income, if any, earned from such activity/transaction is assessed as business income in the Company's books of accounts and hence is a business activity, or
 - ✓ is common commercial practice, or
 - ✓ meets any other parameters/criteria as decided by the Board/Audit Committee
- f) **Material Related Party Transaction:** A transaction with a related party is considered material if the transaction / transactions to be entered into, either individually or taken together with previous transactions with such related party during a financial year, exceeds ten percent of the consolidated annual turnover / networth (as per threshold prescribed under section 188 of the Act and Rules made thereunder (as amended from time to time)) as per the last audited financial statements of the Company. The materiality threshold shall not apply to any transactions entered into by the Company in its ordinary course of business other than transactions which are not on an arm's length basis.
- g) Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, or any other applicable law or regulation.

5. IDENTIFICATION OF RELATED PARTY TRANSACTIONS

a. Identification of related parties:

- The Company Secretary shall maintain a list of Related Parties as defined in Section 2(76) of the Companies Act, 2013 read with Companies (Specification of Definitions Details) Rules, 2014 and under the applicable accounting standards.
 - Each Director and Key Management Personnel shall disclose in Form MBP-1, at the time of appointment, beginning of every financial year and whenever there is any change in the disclosure so made, about all the persons, entities in which he or she is interested, whether directly or indirectly.
 - Each director and Key Management Personnel shall provide declaration, at the time of appointment, beginning of every financial year and whenever there is any change in the disclosure so made of:
 - its relatives
 - firms in which such Director/ Manager or his relative is a partner
 - private Companies in which a Director or Manager or his relative is a member or director
 - public companies in which a Director or manager is a Director and holds along with the relatives more than 2% of the paid-up share capital
- The Company Secretary shall, on Basis the declaration of directors and KMPs, identify and keep on record in the form of an updated database the information pertaining to Related Parties, along with their personal/company details.
- At the beginning of the financial year and on any subsequent changes, identify and maintain information in the database about the related parties in association with the Holding Company, subsidiaries, joint ventures, associates, etc.
- Identify and maintain database on persons/entities forming a part of the promoter or promoter group of the Company or any person or any entity, holding equity shares of twenty per cent or more; or of ten per cent or more (with effect from April 1, 2023) in the Company either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediately preceding financial year.

b. Identification of related party transactions:

The Company also has a process for identification of related party transactions in accordance with Section 188 of the Act based on which the Related parties are identified.

Each Director, Key Managerial Personnel & Senior Management will be responsible for providing notice to the Company or Audit Committee of any potential Related Party Transaction involving him or her or his or her relative.

The Company has a framework for determining whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company may seek external professional opinion, if necessary.

The Company would collate list of related party transactions as follows:

- Continuing RPTs as per the disclosure made in Company's financial statements.
- Transactions which are likely to be executed with each related party and estimated value of such transactions before the beginning of each financial year to obtain necessary approvals in accordance with this Policy.

6. PROCEDURE FOR APPROVAL AND REVIEW OF RELATED PARTY TRANSACTIONS

I. Approval of Audit Committee

Applicable to entities which has constituted and is required to constitute an Audit Committee in terms of the provisions of the Companies Act 2013.

- A. All the Related Party Transactions (RPTs) shall require prior approval of the Audit Committee in terms of Section 177 of the Companies Act, 2013.
- B. The management shall present the list of RPTs before the Audit Committee at the beginning of the year, the following information with respect to all RPT expected to be entered into during the financial year for its approval as the Audit Committee has the power to grant Omnibus Approval or Landscape Approval. The following details shall be placed before the Audit Committee:
 - (a) name of the related parties;
 - (b) nature and duration of the transaction;
 - (c) maximum amount of transaction that can be entered into;
 - (d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
 - (e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

In case the transaction relates to any loan, inter-corporate deposit, advance, investment, guarantee, security or financial accommodation, the following additional details shall also be placed:

- i. details of the source of funds in connection with the proposed transaction;

- ii. where any financial indebtedness is incurred: nature of indebtedness; cost of funds; and tenure;
 - iii. applicable terms including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured, and nature of security, if any; and
 - iv. the purpose for which the funds will be utilized and the ultimate beneficiary of such funds.
- C. After reviewing the proposed related party transactions, the audit committee shall approve or disapprove such Related Party Transactions.
- D. Where the need for related party transaction cannot be foreseen and the details thereof are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction. Such transactions shall also be reported to the Audit Committee on a quarterly basis.
- E. Quarterly information of all RPTs shall be placed by the Company for the review of Audit Committee. Also, the management shall submit a report to the Audit Committee providing a comparison between the approvals granted and the actual transactions.

II Approval of the Board of Directors of the Company.

- A. Related Party Transactions which are not in the ordinary course of business or not at arm's length price shall require prior approval of the Board.
- B. Where, owing to exigencies, Related Party Transactions have been entered into without being placed for prior approval by the Board, reasoned explanation for the same must be provided to the satisfaction of the Board. The Board may ratify such transactions.
- C. Any member of the Board or Key Managerial Personnel who has any interest in any Related Party Transaction will recuse himself/herself and abstain from discussion and voting on the approval of the Related Party Transaction.

Omnibus Landscape & Mid-year Changes

Any material modification / variation in an already approved Related Party Transaction, including change in value, scope, pricing, tenure or other commercial terms, shall require fresh review / approval/ratification, as applicable.

III Approval of the Shareholders of the Company:

All Material Related Party Transactions shall require approval of the Shareholders of the Company by way of a resolution passed at the general meeting of the Company as provided under Section 188 of the Companies Act 2013 and applicable Rules.

Where approval of Shareholders is required for any Related Party Transaction under the Companies Act, 2013 or any other applicable law, the explanatory statement / notice shall include, in addition to the requirements of applicable law, the following information:

- a) summary of the information placed before the Audit Committee / Board, as applicable;
- b) justification for why the proposed transaction is in the interest of the Company;
- c) nature, duration and value of the transaction;
- d) basis of pricing / arm's length rationale;
- e) statement regarding valuation or external report, if any, relied upon; and
- f) in case of loans / inter-corporate deposits / advances / investments:
 - source of funds;
 - applicable terms;
 - purpose / end-use of funds; and
 - ultimate beneficiary, if applicable.

6A. FACTORS / GUIDELINES FOR APPROVAL OF RELATED PARTY TRANSACTIONS

In determining whether approval may be granted to a Related Party Transaction, the Audit Committee / Board of Directors / Shareholders, as the case may be, may consider the following factors:

- a) whether the Related Party Transaction is in the ordinary course of business of the Company;
- b) whether the Related Party Transaction is on arm's length basis;
- c) whether there are adequate reasons of business expediency and commercial rationale for the Company to enter into the Related Party Transaction;
- d) whether alternative arrangements with unrelated parties have been considered, wherever relevant;
- e) whether the proposed Related Party Transaction gives rise to any potential conflict of interest;
- f) whether the proposed transaction poses any reputational, legal, accounting, tax, governance or regulatory risk; and
- g) any other factor which the approving authority may deem relevant.

7. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee/Board of Directors as may be applicable. The

Audit Committee/Board of Directors shall consider all the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee/Board of Directors shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee/Board of Directors under this Policy and failure of the internal control systems and shall take any such action it deems appropriate.

7. FINANCIAL STATEMENT DISCLOSURE AND AOC-2

The Finance function, in coordination with the Compliance Officer / Company Secretary, shall ensure that:

- a) all Related Party Transactions are appropriately captured in the financial statements in accordance with applicable accounting standards;
- b) the disclosures are reconciled with the approvals granted and actual transactions undertaken;
- c) particulars of contracts or arrangements with Related Parties, wherever required under Section 188 of the Companies Act, 2013, are disclosed in Form AOC-2 and included in the Board's Report; and
- d) such other disclosures / filings / reporting requirements as may be applicable are duly complied with.

8. NON-COMPLIANCE, ESCALATION, AMENDMENTS IN LAW AND POLICY HIERARCHY

Any non-compliance with this Policy shall be escalated to the appropriate authority, including the Audit Committee / Board of Directors, as may be applicable.

Depending on the facts and circumstances, the Company may take such corrective or disciplinary action as may be considered appropriate, including process correction, accountability measures, recovery / indemnity or remedial disclosure, wherever warranted.

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the applicable laws, as may be amended from time to time, shall have the meaning respectively assigned to them therein.

In the event of any conflict between the provisions of this Policy and the applicable laws, rules, regulations or statutory enactments, the provisions of such applicable laws shall prevail and this Policy shall be read accordingly.

Any subsequent amendment / modification in applicable laws shall automatically apply to this Policy.

9. REVIEW OF THE POLICY

The adequacy of this Policy shall be reviewed and reassessed by the Committee periodically and appropriate recommendations shall be made to the Board to update the Charter based on the changes that may be brought about due to any regulatory amendments or otherwise.