

POLICY FOR RELATED PARTY TRANSACTIONS

OF

NTPC- SAIL POWER COMPANY LIMITED

1. BACKGROUND, OBJECTIVE & APPLICABILITY OF THE POLICY

Companies Act, 2013 and Rules made there under lay down comprehensive provisions for identification, approval and disclosure of related party transactions. In view of the aforesaid provisions, the Company has formed this policy for Related Party Transactions

This Policy will be applicable to the company to regulate transactions between the Company and its Related parties based on the applicable laws, rules and regulations under the Companies Act, 2013. The Audit Committee may review and amend this policy from time to time.

The policy is effective from the date of its approval i.e. June 24, 2019

2. DEFINITIONS

“Arm’s Length Transaction” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“Associate Company” in relation to another Company, means a company in which that other Company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation- For the purposes of this clause

- (a) the expression “significant influence” means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an agreement;
- (b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;

“Audit Committee” means the audit committee of the Board constituted from time to time under the provisions Section 177 of the Companies Act, 2013.

“Board” means collective body of the Directors of NSPCL;

”Key Managerial Personnel” as per Section 2(51) of Companies Act, 2013, in relation to a Company, means—

- (i) the Chief Executive Officer or the Managing Director or the Manager;
- (ii) the Company Secretary;
- (iii) the Whole-time Director;
- (iv) the Chief Financial Officer ;
- (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- (vi) such other officer as may be prescribed

“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 the company 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 the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise

“Ordinary Course of Business” Any activity which is routine and is in accordance with the usual customs and practices of a particular business can be described to be ‘in the ordinary course of business’. For a company, the interpretation needs to be, taking into account the nature of the activity and its relevance in the overall scope of company’s businesses.

“Related Party” As per Section 2(76) of Companies Act, 2013 read with Rule 3 of Companies (Specification of Definition Details) Rules, 2014, Related Parties 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 or manager or his relative is a member or director;
- (v) a public company in which a director and 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;

viii) any body corporate which is—

(A) a holding, subsidiary or an associate company of such company;

(B) a subsidiary of a holding company to which it is also a subsidiary; or

(C) an investing company or the venturer of the company;

Explanation—For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

(ix) a director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.

“Relative” means a relative as defined in Section 2(77) of the Companies Act, 2013 read with Rule 4 of the Companies (Specification of Definition Details) Rules, 2014 as under:

1. Members of HUF
2. Spouse
3. Father includes Step-father
4. Mother includes Step-mother
5. Son includes Step Son
6. Son’s wife
7. Daughter
8. Daughter’s husband
9. Brother includes step-brother
10. Sister includes step-sister

3. MECHANISM OF APPROVAL OF RELATED PARTY TRANSACTIONS

All Related Party Transactions shall be subject to the approval of the following:

- 3.1 Approval of the Audit Committee [Section 177 read with Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014]
- 3.2 Approval of the Board (Section 188 read with Rule 15 Companies (Meetings of Board and its Powers) Rules, 2014)
- 3.3 Approval of the Shareholders, wherever required.

3.1 Approval of the Audit Committee

All related party transactions and subsequent modifications thereof shall require approval of the Audit Committee.

3.1.1 Omnibus Approval of the Audit Committee

Audit Committee may make omnibus approval for related party transactions **proposed to be entered** into by the company subject to the following conditions:-

- (1) The Audit Committee shall, **after obtaining approval of the Board of Directors**, specify the criteria for making the omnibus approval which shall include the followings:-
 - (a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year (financial);
 - (b) the maximum value per transaction which can be allowed;
 - (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - (d) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
 - (e) transactions which cannot be subject to the omnibus approval by the Audit Committee.

- (2) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -
 - (a) repetitiveness of the transactions (in past or in future);
 - (b) justification for the need of omnibus approval.

- (3) The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.

- (4) The omnibus approval shall contain or indicate the following: -
 - (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:

However, In case where the need for related party transaction cannot be foreseen and aforesaid details are not available, Audit Committee may make omnibus approval for such transactions subject to their value not exceeding c 1 Crore per transaction.

- (5) Omnibus approval shall be valid for a period **not exceeding one financial year and shall require fresh approval after the expiry of such financial year.**

- (6) Omnibus approval **shall not be made for transactions in respect of selling or disposing** of the undertaking of the company.
- (7) Any other conditions as the Audit Committee may deem fit.

Note:

1. Where Audit Committee does not approve a transaction, other than transactions referred to in section 188, it shall make its recommendations to the Board.
2. A transaction not exceeding ₹ 1 Crore entered into by a director or officer of the company without obtaining the approval of the Audit Committee and not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee. Further, if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the company against any loss incurred by it.
3. Approval of the audit Committee not required for a transaction between **holding company and its wholly owned subsidiary company**. However, approval shall be required where such transaction is covered under section 188.

3.2 Approval of the Board

- (1) Approval of the Board **in a Board Meeting (not through resolution by circulation)** shall be required for any contract or arrangement with a related party with respect to followings:-
- (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.

Exemption : Transactions entered into by the Company which are in **Ordinary Course of Business and** are on **Arm's Length Basis**.

- (2) A company shall enter into any contract or arrangement with a related party subject to the following conditions, namely:-
- (1) The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose-
 - (a) the name of the related party and nature of relationship;

- (b) the nature, duration of the contract and particulars of the contract or arrangement;
- (c) the material terms of the contract or arrangement including the value, if any;
- (d) any advance paid or received for the contract or arrangement, if any;
- (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- (g) any other information relevant or important for the Board to take a decision on the proposed transaction.

- (3) Where any Director or the Chairman is interested in any contract or arrangement with a related party, such director shall not be present at the meeting, whether physically or through electronic mode, during discussions and voting on such item.

3.3 Approval of the Shareholders (Not applicable in case of contract or arrangement entered into between two government companies)

- (1) Prior approval of the Shareholders (Ordinary Resolution) is required for the followings:-

Specified RPT u/s 188 of the Companies Act, 2013	Threshold limits for approval of shareholders
Sale, purchase or supply of any goods or material, directly or through appointment of agent	10% or more of the Turnover of the Company or ₹ 100 Crore, Whichever is lower <i>(See Note-1 below)</i>
Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent	10% or more of the net worth of the Company or ₹ 100 Crore, Whichever is lower <i>(See Note-1 below)</i>
Leasing of property of any kind	10% or more of the net worth of the Company or 10% or more of the Turnover of the Company or ₹ 100 Crore, Whichever is lower <i>(See Note-1 below)</i>
Availing or rendering of any services, directly or through appointment of agent	10% or more of the Turnover of the Company or ₹ 50 Crore, Whichever is lower <i>(See Note-1 below)</i>
Appointment to any office or place of profit in the company, its subsidiary company or associate company	at a monthly remuneration exceeding ₹ 2.5 Lakh
Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company	Exceeding 1% of the net worth

*Note-1: Referred limits shall be applied for transaction or transactions to be entered either **individually or taken together with the previous transactions during a financial year.***

Note-2: The turnover or net worth referred above shall be computed on the basis of Audited Financial Statement of the preceding financial year.

Exemption : Transactions entered into by the Company which are in **Ordinary Course of Business and** are on **Arm's Length Basis**.

(2) The explanatory statement to be annexed to the notice of a general meeting convened shall contain the following particulars :-

- (a) name of the related party;
- (b) name of the director or key managerial personnel who is related, if any;
- (c) nature of relationship;
- (d) nature, material terms, monetary value and particulars of the contract or arrangements;
- (e) any other information relevant or important for the members to take a decision on the proposed resolution.

(3) No member of the company shall vote on such resolution to approve any contract or arrangement which may be entered into by the company, if such member is a related party. However, this will not be applicable to a company

(i) Which is a Private Limited Company (exemption notification to Private Limited Companies)

(ii) In case of contract or arrangement entered into between two government companies (exemption notification to Government Companies)

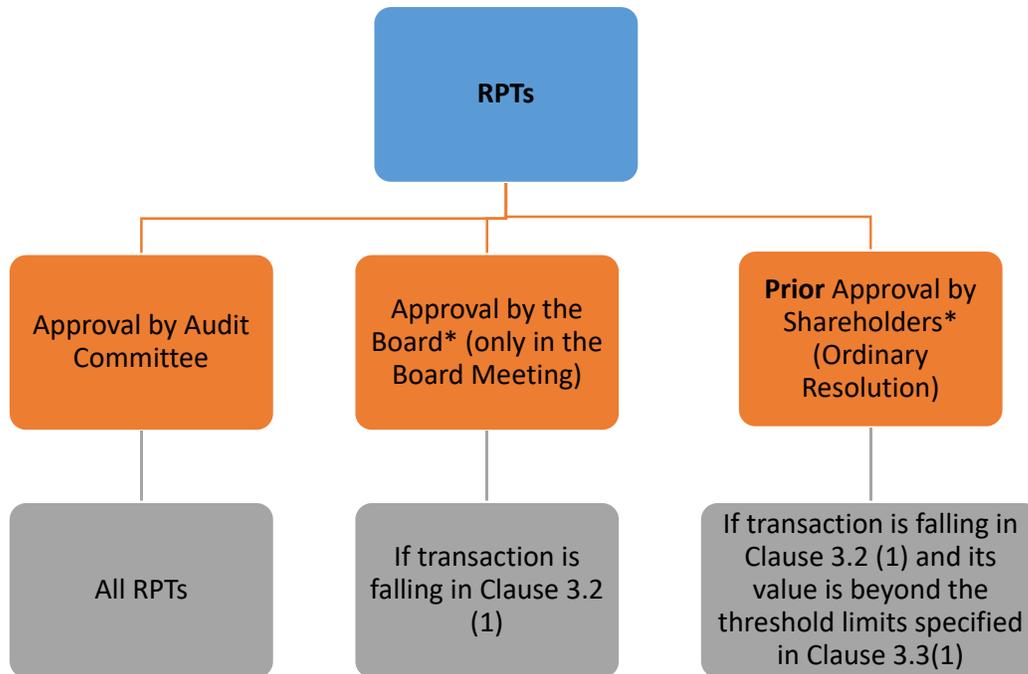
(ii) in which 90% or more members, **in number**, are relatives of promoters or are related parties

(4) In case of wholly owned subsidiary, the resolution is passed by the holding company shall be sufficient for the purpose of entering into the transaction between the wholly owned subsidiary and the holding company.

(5) Requirement of Shareholders approval shall not be applicable for transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

4. FLOW CHART

For ease of understanding, the below diagram may be referred to ascertain the approval requirements of related party transactions under the Companies Act, 2013:-



* Exemptions : Transactions which are in **Ordinary Course of Business** and are on **Arm's Length Basis**.

5. DISCLOSURES

Every contract or arrangement entered into as mentioned above under clause 3.2 & 3.3 shall be referred in the Board Report along with Justification for entering into such contract or arrangement.

6. PENAL PROVISIONS

- (1) If any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting and not ratified by the Board or shareholders, as the case may be, 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 or shareholders, as the case may be and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.
- (2) It shall also be open to the company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.
