

# TATA POWER TRADING COMPANY LIMITED

## **BROAD FRAMEWORK FOR POLICY ON RELATED PARTY TRANSACTIONS FOR TATA POWER TRADING COMPANY LIMITED**

### **1. SCOPE AND PURPOSE OF THE POLICY**

- 1.1 Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 ("Act") read with the Rules framed there under, Tata Power Trading Company Limited (TPTCL) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.
- 1.2 In light of the above, TPTCL has framed this Policy on Related Party Transactions ("Policy"). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

### **2. OBJECTIVE OF THE POLICY**

- 2.1 The objective of this Policy is to set out 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.

### **3. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS**

#### **a) Identification of related parties**

TPTCL shall identify Related Parties as per the definition provided in the applicable laws and regulations, including the Companies Act 2013, as amended from time to time.

The Company shall regularly verify and update the Related Party List and review and confirm (at least once a quarter) in accordance with the applicable laws as prevalent.

#### **b) Identification of related party transactions**

As a policy, TPTCL will identify transactions falling under contracts and arrangements, as per the applicable laws, entered into with related parties for the consent of the Audit Committee, Board of Directors and shareholders, as applicable. Currently, TPTCL has identified the Related Party transactions and subsequently categorized them into broad categories e.g. Contract and arrangement relating to procurement of goods and availing of services, providing of Corporate Guarantees etc

Any other related party transaction identified during the periodic review not covered into the aforementioned category shall be independently reviewed, approved and included for conformance as a part of Related Party Policy mechanism.

TPTCL shall report the transactions of aforementioned category entered into with related parties identified as per Clause 3(a) of this policy, and put the same for necessary approvals required as per the Applicable Law.

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## c) Procedure for approval of related party transactions

### A. Approval of the Audit Committee

All Related Party transactions require prior approval of the Audit Committee, except transactions entered 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. However, the Management may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

- i) The Audit Committee shall lay down the criteria/Framework and Guidelines for granting the omnibus approval in line with the Policy and such approval shall be applicable in respect of repetitive transactions;
- ii) The Audit Committee shall satisfy itself of the need for such omnibus approval and that such approval is in the interest of the Company;
- iii) The omnibus approval shall provide details of (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 (for ex: +/- 5%) and (iii) such other conditions as the Audit Committee may deem fit.

However, in case of Related Party transactions which cannot be foreseen and where the above details are not available, management is permitted by the Audit Committee to enter into transactions provided the value of the group of identical transactions does not exceed ₹ 1 crore per quarter;

- iv) 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;
- v) Such omnibus approval shall be valid for 1 financial year.

For each category of transaction identified as per the Clause 3(b) of this policy, TPTCL has framed specific Framework and Guidelines explaining the arm's length criteria to be followed by the Company while entering into transactions falling under contracts and agreements with related parties identified as per Clause 3(a) of this policy. TPTCL, while entering into Related Party transactions will ensure adherence with the Framework and Guidelines and will maintain necessary documents for the same.

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- Key covenants (non-commercial) as per the draft of the proposed agreement/contract to be entered into for such transaction;
- Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;

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- Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
  - market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
  - third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
  - management assessment of pricing terms and business justification for the proposed transaction;
  - comparative analysis, if any, of other such transaction entered into by the company.

## B. Approval of the Board of Directors of the Company

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business and at arm's length basis, are placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.

## C. Approval of the Shareholders of the Company

All kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business and at arm's length basis; and (b) exceed the thresholds laid down in the Companies (Meetings of Board and its Powers) Rules, 2014, are placed before the shareholders for its approval.

For this purpose, only such related party as may be a related party in the context of the contract or arrangement for which the said special resolution is being passed shall abstain from voting.

## 4. **ORDINARY COURSE OF BUSINESS**

The Framework and Guidelines shall provide for determining whether transactions are in the ordinary course of business.

## 5. **DISCLOSURE AND REPORTING**

- 5.1. Director's report shall contain details of Related Party Transactions as required under applicable law.
- 5.2. This Policy shall be communicated to all concerned employees and other persons of the Company at all locations for implementation and reporting.

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## 6. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

- 6.1. In the event TPTCL 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. The Audit Committee shall consider all of 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 shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.
- 6.2. In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.