



Talwandi Sabo Power Limited
Related Party Transaction Policy

Document Name	Related Party Transaction Policy
Company	Talwandi Sabo Power Limited
Prepared by	Corporate Secretarial
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1. Preamble

Talwandi Sabo Power Limited (the “Company” or “TSPL”) its Holding Company and its associate companies (“the Group”) would, in ordinary course of business, enter into transactions with a related party or parties.

The Audit Committee and Board of Directors (the “Board”) of TSPL has adopted the following policy with regard to Related Party Transactions (“RPT”) as defined below. The policy envisages the approval matrix and review relating to RPTs to be followed by company to ensure compliance with the Law and Regulation. Audit Committee shall review and recommend amendments to the Board for this policy from time to time.

2. Introduction

This Policy sets out the philosophy and processes that is to be followed for approval and review in respect of transactions entered into by the Company with a Related Party. No RPTs shall be entered by the Company, except in accordance with the provisions of this Policy.

This policy is approved by the Board of TSPL at its meeting held on April 22, 2022. This policy will be effective from April 22, 2022.

This Policy is published on the Company's website: <https://www.tsplindia.co/>

3. Definitions

- a. **Related Party** will have the same meaning as defined under Section 2(76) of the Companies Act, 2013 (‘Act’) or under the applicable accounting standards.
- b. **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** shall have the meaning as envisaged in Section 188(1) of the Act.
- 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 has not been defined under the Act. But the International Standard on Auditing (ISA) 550 listed certain examples of transactions outside the entity normal course of business. Such examples have been listed out below

- Complex equity transactions, such as corporate restructurings or acquisitions.
- Transactions with offshore entities in jurisdictions with weak corporate laws.
- The leasing of premises or the rendering of management services by the entity to another party if no consideration is exchanged.
- Sales transactions with unusually large discounts or returns.
- Transactions with circular arrangements, for example, sales with a commitment to repurchase.
- Transactions under contracts whose terms are changed before expiry.

f. **Material RPT**

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.

4. Related Party Transaction philosophy

- The Company shall not enter into RPTs without the prior approval of audit committee and shall be at arm's length and in ordinary course of business.
- In the event of RPT not in the ordinary course of business, the Company shall obtain approval of the Board and its shareholders, as applicable, for such contract or arrangement.
- All material RPT transactions shall be approved by Board of Directors and shareholders of the Company.

5. Related Party Transactions Policy

The policy that would be followed in relation to RPT are given in paragraphs below:

(i) Identification of Related Parties

The Company Secretary shall maintain a list of all related parties as per the definition under the Act.

- 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:

- 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;
- Identify and maintain information in the database about the related parties within the Vedanta group as per definition in the Act
- Update the database of Related Parties whenever necessary and review at least once a quarter

(ii) Identification of Related Party Transactions

The Company Secretary 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 entered into 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. Approval and review of Related Party Transaction

(i) Approval of Audit Committee

- All related party transactions and subsequent modifications herein shall require prior approval of the Audit Committee of the Company. The Audit Committee shall consider all relevant factors while deliberating the Related Party Transactions for its approval.
- Any such member of the Audit Committee who has a potential interest in any Related Party Transaction will recuse himself/herself and abstain from voting on the approval of the Related Party transaction.
- A Related Party Transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length price, would require approval of the Board or of shareholders as may be required by applicable law
- Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the Company subject to the following conditions / criteria, namely:
 - a) such approval shall be applicable in respect of transactions which are repetitive in nature
 - b) the transactions are in ordinary course of business and at arm's length price
 - c) the Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the entity;
 - d) The omnibus approval shall contain or indicate the following: -
 - name of the related parties;
 - nature and duration of the transaction;
 - maximum amount of transaction that can be entered into;
 - the indicative base price or current contracted price and the formula for variation in the price, if any; and
 - such other conditions as the audit committee may deem fit
 - e) The maximum value which can be approved under omnibus route will be the same as threshold for Material Related Party Transaction as mentioned in the Policy

- f) 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 rupees one crore per transaction.
- g) 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.
- h) The Audit Committee shall review, at least on a quarterly basis, the related party transactions transacted into by the Company pursuant to the omnibus approval given.
- i) Any other conditions as the Audit Committee may deem fit.
- j) Transactions that cannot be approved through omnibus route:
 - a) Transactions in respect of selling or disposing of the undertaking of the Company.
 - b) Transactions which are not in ordinary course of business or not at arm's length price.
 - c) Transactions that exceed the threshold specified by the Board.
 - d) As specified in the Companies Act, 2013 or rules made there under.

As per section 188 (1) of the Act, the expression "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

After reviewing the proposed related party transactions, the audit committee shall approve or disapprove such RTP.

Exceptions to Audit Committee Approval

Transactions which are in the ordinary course of business and are at arms length and 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.

Information to be reviewed by the Audit Committee for approval of RPTs

The Company shall provide the following information, for review of the Audit Committee for approval of a proposed RPT:

- a) Type, material terms and particulars of the proposed transaction.
- b) Name of the related party and its relationship with the Company, including nature of its concern or interest (financial or otherwise);
- c) Tenure of the proposed transaction (particular tenure shall be specified);
- d) Value of the proposed transaction.
- e) The percentage of the Company's annual turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction.
- f) If the transaction relates to any loans, inter-corporate deposits, advances, or investments made or given by the entity or its subsidiary: -
 - 1) details of the source of funds in connection with the proposed transaction.
 - 2) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments
 - nature of indebtedness.
 - cost of funds; and

- tenure
 - 3) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - 4) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g) Justification as to why the RPT is in the interest of the Company.
- h) A copy of the valuation or other external party report, if any such report has been relied upon;
- i) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis
- j) Any other information that may be relevant

ii. Board of Directors

- In case any Related Party Transactions involving the Company are referred by the Audit Committee to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction
- All Material Related Party Transactions shall require approval of the Board;
- 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 voting on the approval of the Related Party Transaction.

iii. Shareholders

Material RPT and RPT not in the ordinary course of business shall be approved by shareholders by way of a resolution as required under Section 188

7. Transactions which do not require approval

- Any transaction involving the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business by any Key Managerial Personnel's shall not require approval under this policy.
- Any Material related party transaction 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 is exempted from obtaining approval of the shareholders.
- Certain types of transactions or arrangements which are specifically dealt under the separate provisions of the laws and executed under separate approvals / procedures shall be approved in accordance with the applicable law and relevant procedures. Example of such transactions are as follows:

- Appointment and payment of remuneration, including any variation, to Key Managerial Personnel of the Company and its subsidiaries;
- Payment of remuneration, fees, Commission etc. to any director by the Company or its subsidiaries in compliance with legal provisions;
- Shares based incentive plans for the benefits of Directors or KMPs including ESOPs by the Company or its subsidiaries; or
- CSR Contribution.

8. General principles

The CFO of the Company is authorised to issue guidelines / instructions for implementation of the policy.

9. Disclosures

- Every Related Party Transaction with proper justification shall be disclosed in the Directors Report.
- The company shall disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report.
- This Policy will be communicated to all employees and other concerned persons of the Company.

10. Interpretation

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 and rules prescribed therein, as may be amended from time to time shall have the meaning respectively assigned to them therein.

11. Amendments in Law

In the event of any conflict between the provisions of this Policy and of the Act or any other statutory enactments, rules, the provisions of such Act or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment/modification in the Companies Act, 2013 and/or other applicable laws in this regard shall automatically apply to this Policy.