



NORTH EASTERN ELECTRIC POWER CORPORATION LIMITED RPT POLICY, 2022

**POLICY ON MATERIALITY OF RELATED PARTY
TRANSACTIONS**

AND

**ON DEALING WITH RELATED PARTY
TRANSACTIONS**

RELATED PARTY TRANSACTION POLICY

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS

1. APPLICABILITY AND EFFECTIVE DATE

The Company has formulated a Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions.

This Policy is formulated to regulate the related party transactions based on the applicable laws, rules and regulations, as amended from time to time.

This policy will be effective from the date of issue.

2. PURPOSE

This policy is framed in line with requirements specified under Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [SEBI LODR, 2015] and amendments there-to vide notification dated November 9, 2021 & further clarification issued by SEBI vide circular dated March 30, 2022. The said policy is intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties.

This Policy shall supplement Company's other policies & practices/ delegation of authorities / manual of authorities etc. which require approval of the contracts or arrangement in specified manner and by specified authority. If there exists more than one set of requirements due to application of multiple laws and regulations, the endeavor must be based on the compliance principle, which would meet the higher governance standards.

3. DEFINITIONS

3.1 **“Act”** means the Companies Act 2013 and rules made thereunder as modified or amended time to time.

3.2 **“Arm’s Length Transaction”** as defined in explanation (b) to Section 188 (1) of the Companies Act 2013, means **a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.**

3.3 **“Associate Company”** as defined in Section 2(6) of the Companies Act 2013 which reads as “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.”

3.4 **“Audit Committee”** means “Audit Committee” of the Board of Directors of the North Eastern Electric Power Corporation Limited.

3.5 **“Board of Director” or “Board”** means the Board of Directors of the North Eastern Electric Power Corporation Limited.

3.6 **“Company”** means the North Eastern Electric Power Corporation Limited (NEEPCO).

3.7 **“Government Company”** shall be as defined under Section 2(45) of the Companies Act 2013.

3.8 **“Independent Director”** shall be as defined under Section 149(6) of the Companies Act 2013 and Regulation 16 (1) (b) of the LODR.

3.9 **“Key Managerial Personnel”** shall be as defined in Section 2(51) of the Companies Act, 2013.

3.10 **“Material Related Party Transaction”** means a transaction with related party as specified under Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 ('LODR Regulations') as amended time to time and transactions as specified in Section 188(1) of the Companies Act 2013 read with Rule 15 (3) of the Companies (Meeting of Board and its Powers) Rules, 2014, as amended time to time.

3.11 **Material Modifications** shall mean any Modifications which has implications of 10% or more of originally approved Related party transactions (excluding impact due to change in tax structure).

3.12 **“Office or place of profit”** shall be defined as per explanation (a) to Section 188 (1) of the Companies Act 2013.

3.13 **“Ordinary Course of Business”** includes but not limited to a term for activities that are necessary, normal, and incidental to the business. These are common practices and customs of commercial transactions. In law, the ordinary course of business covers the usual transactions, customs and practices of a certain business and of a certain firm. Indicative factors for determining term ordinary course of business:

- (i) is normal or otherwise remarkable for your particular business (i.e. features in your system, processes, advertising, staff training, etc.)
- (ii) is frequent and regular
- (iii) involves significant amounts of money
- (iv) is a source of income to the business
- (v) involves significant allocation of resources
- (vi) is involved in a service or product that is offered to customers

3.14 **“Related Party”** means a related party as defined under

- I. sub-section (76) of section 2 of the Companies Act, 2013, and
- II. under Regulation 2 (1) (zb) of the SEBI LODR 2015 and amendments there-to

3.15 **“Related Party Transaction”** shall be as per Regulation 2(1)(zc) of SEBI LODR 2015 and amendments there-to.

3.16 **“SEBI LODR 2015”** or “Listing Regulations” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 and amendments time to time.

3.17 **“Subsidiary Company”** shall be as defined under Section 2(87) of the Companies Act 2013.

3.18 **“Transaction”** with a related party shall construed to include a single transaction

or a group of transactions.

All terms used in this Policy but not defined herein shall have the meaning assigned to such term in the Act and the Rules thereunder and SEBI LODR 2015, as amended from time to time.

4. Related Parties under the applicable Accounting Standard are as follows:

Indian Accounting Standard (Ind AS) 24 – Related Party Disclosures

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control of the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

5. APPROVAL AND REVIEW OF RELATED PARTY TRANSACTION

All Related Party Transactions and subsequent material modifications shall be subject to the prior approval of the Audit Committee. All other modifications shall also require approval of the Audit Committee

In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Audit Committee may ratify the transactions in accordance with this Policy, Act or SEBI LODR, 2015.

The Head of the Project (HoP) at project and Head of the Concerned Departments at Corporate Office & other Administrative offices shall be responsible for placing an agenda of all Related Party Transaction(s) requiring approvals (including omnibus approval or ratification) in accordance with this policy before the Audit Committee

through Director (Finance). After recommendation of Director (Finance) and obtaining approval of the Chairman & Managing Director, the agenda shall be forwarded to the Company Secretary for placing before the Audit Committee.

For Deputation of Employee to JVs/ Subsidiaries:

Corporate HR Department through Director (Personnel) of NEEPCO shall place consolidated agenda for approval.

For further investment/ loan/ guarantee in JVs/ Subsidiaries:

Corporate Planning Department and/or Business Development Department through Director (Technical) of NEEPCO shall place consolidated agenda for approval.

The above Heads shall also be responsible to place the agenda for review of the Audit Committee on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval obtained under Point 5.1.2 of this Policy.

After the approval of the Audit Committee, Company Secretary shall place the agenda to Board or for shareholders for approval, as required.

5.1 Approval of the Audit Committee

Approval of the Audit Committee requirement

- All related party transactions and subsequent material modifications shall require prior approval of the audit committee of the listed entity. Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.
- a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall also require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the listed entity;
- with effect from April 1, 2023, a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;

5.1.1 Details to be provided to Audit Committee

The following details/information shall be provided to the Audit Committee for entering into Related Party Transaction(s):

- a. Type, material items and particulars of the proposed transaction, contract or arrangement;
- b. Name of the related party and its relationship with the listed entity or its subsidiary, 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. Any advance paid or received for the contract or arrangement, if any
- f. Manner of determining the pricing (indicative base price / current contracted price and the formula for variation in the price, if any) and other commercial terms, both included as part of contract and not considered as part of the contract;
- g. The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided).
- h. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
 - i. details of the source of funds in connection with the proposed transaction.
 - ii. 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.
 - iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the Related Party Transaction.
- i. Justification as to why the RPT is in the interest of the listed entity;
- j. A copy of the valuation or other external party report, if any, such report has been relied upon;
- k. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis.
- l. Any other information that may be relevant

5.1.2 Omnibus Approval

Audit Committee may grant the omnibus approval for Related Party Transactions subject to the following conditions:

- 1. Transactions are frequent/ regular/ repetitive in nature and are in the normal course of business of the Company.
- 2. Audit Committee shall satisfy itself the need for such omnibus approval in the best interest of the Company.
- 3. Omnibus approval shall specify:
 - (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that can 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.

Provided that 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 Rs.1.00 (One) crore per transaction.

4. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
5. The omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year from the date of approval.
6. The Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

5.1.3 Consideration by the Audit Committee

While approving, the Audit Committee may, inter-alia, consider the following factors:

- a. all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party.
- b. whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis, at the time of entering into the transaction.
- c. business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any.
- d. whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or KMP of the Company.
- e. any other matter the Audit Committee deems relevant.

5.1.4 Review by the Audit Committee

Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis. The onus to place such agenda shall be on the department who has initiated the agenda at the time of original approval.

5.2 Approval of the Board

1. Except with the prior consent of the Board of Directors given by a resolution at a meeting of the Board, the Company shall not enter into any contract or arrangement with a related party. The nature of contract or arrangement inter-alia includes the following:
 - 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; and
 - f. Such related party appointment to any office or place of profit in the Company, its subsidiary company or associate company.
2. Consent of the Board shall not be required for any transaction(s) to be entered into by the Company in its ordinary course of business and done at arm's length.

5.3 Approval by Shareholders

1. All material RPT and subsequent material modifications therein shall be entered into with prior approval of shareholders of the company by way of a resolution (special/ordinary, as may be specified from time to time under the Act or the Regulations)..
2. Entities falling under the definition of related parties shall not vote to approve the related party transaction, irrespective of whether the entity is a party to the particular transaction or not.
3. Material RPT and subsequent material modifications therein shall not require approval of shareholders in the following cases:
 - a. Any transaction(s) entered into by the Company in the ordinary course of business and done at arm's length;
 - b. RPT to be entered with any other Government Company;
 - c. RPT to be entered into between the Company and its wholly owned subsidiaries, whose accounts are consolidated with the Company;
 - d. Transactions entered into wholly owned subsidiaries of the Company, whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval; and
 - e. RPT to which the listed subsidiary of the Company is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of the regulation 15 of LODR are applicable to such listed Company.

5.4 Summary of the approval mechanism under SEBI LODR, 2015 and the Companies Act, 2013

All Related Party Transactions and subsequent material modification there-of	Audit Committee
Related Party Transactions at 5.2.1 above which are not in ordinary course of business or not on arm's length basis or both (Not	<ul style="list-style-type: none"> • Approval and recommendation by the Audit Committee to the Board. • Approval by the Board.

a Material RPT)	
Related Party Transactions at 5.2.1 above which are not is ordinary course of business or not on arm's length basis or both (Material RPT)	<ul style="list-style-type: none"> • Approval and recommendation by the Audit Committee to the Board. • Approval and recommendation by the Board to the Shareholders. • Approval by the Shareholders.
Material RPTs at 5.3.1 above and subsequent material modifications	

6. RATIFICATION OF RELATED PARTY TRANSACTIONS

- Subject to the provisions of the Act, Listing Regulations and other applicable laws, if prior approval of the Audit Committee/ Board/ Shareholders for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee/ Board/ Shareholders, if required, within 3 (three) months of entering in the Related Party Transaction.
- Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by are solution in the general meeting and if it is not ratified by the Board or, as the case may be, by the shareholders 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, as the case may be, of the shareholders 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.
- In any case where either the Audit Committee/Board/Shareholders determines not to ratify a Related Party Transaction that has been commenced without approval, may direct additional actions including, but not limited to, immediate discontinuation of the transactions, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Audit Committee/ Board/ Shareholders has authority to modify or waive any procedural requirements of this Policy in the best interest of the Company.

7. DISCLOSURES

- Every contract or arrangement entered with Related Parties with the approval of Board / Shareholders in line with Section 188 of the Companies Act 2013 shall be referred in the Board's Report to the shareholders along with the justification for entering into such contract or arrangements.
- Details of all Material Related Party Transactions shall be disclosed quarterly along with the compliance report on corporate governance.
- The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.
- Disclosures on materially significant related party transactions that may have potential conflict with the interests of the Company at large in the Corporate Governance Report.

- e. Disclosures in the financial statements as required under Ind AS 24.
- f. The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any related party as required under the Companies Act, 2013.
- g. The Company shall submit such disclosures along with its standalone 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.

8. MODIFICATION/AMENDMENT/REVIEW OF THE POLICY

Modification/Amendment, if any, to this policy shall be made with the approval of the Chairman and Managing Director of the Company. However, the policy shall be placed for review by the Board of Directors at least once in every three years.

9. DISCLAIMER

In case of any discrepancy between the above Policy, the Companies Act, 2013 and SEBI LODR, 2015 or any rule or regulations made there under or under any other applicable statutory enactment of law, the enacted law/ rule/ regulation/ provision shall prevail over the above Policy. Any subsequent amendment/ modification in the Listing Regulations, Act and/ or applicable law in this regard shall automatically apply to this Policy.