

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



**U.P. POWER CORPORATION LIMITED
(UPPCL)**

INDEX

Sr. No.	Particulars	Page No.
1.	Applicability and Effective Date	3
2.	Scope and Purpose	3
3.	Definitions	3-6
4.	Manner of Dealing with Related Party Transactions and Materiality Thresholds	6-7
5.	Procedure for Approval of Related Party Transactions	7
6.	Summary of the Approval Mechanism under SEBI (LODR) Regulations, 2015 and the Companies Act, 2013	7
7.	Exemptions	8
8.	Disclosures	9
9.	Amendments	9
10.	Annexure	10

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 will be effective from the date of issue.

This Policy is formulated to regulate transactions between the Company and its Related Parties based on the applicable laws, rules and regulations, as amended from time to time.

2. SCOPE AND PURPOSE

- This policy on Related Party Transactions (hereinafter referred to as “RPT Policy” or “Policy”) of U. P .Power Corporation Limited (“UPPCL” or “the Company”) is framed considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“the Act”) read with the Rules framed there under and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, (“SEBI LODR”) including SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulation 2021. UPPCL has formulated the RPT policy and guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.
- Also, Regulation 23(1) of the SEBI LODR requires a company to formulate a policy on materiality of Related Party Transactions (“RPTs”) and dealing with RPTs. Regulation 23(2) of the SEBI LODR also requires defining material modifications of RPTs and disclose it as part of the RPT policy.
- In addition to the above, this Policy shall be reviewed by the Board of Directors at least once in three years.

3. 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.
- ❖ “*Act*” means the Companies Act, 2013 including any statutory modification or re-enactment thereof for the time being in force.
- ❖ “*Material Modifications*” means any modification which has implications of 10% or more of originally approved RPT.

- ❖ **“Material Related Party Transaction”** shall be a transaction with a related party as specified under SEBI (LODR) Regulations 2015 and as amended from time to time. Accordingly, transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs.1,000 Crore or 10% of the annual consolidated turnover of the company as per the last audited financial statements of the company, whichever is lower.

Notwithstanding the above, a transaction involving payments made to related party with respect to brand usage or royalty shall be considered material, if the transactions to be entered into individually or taken together with the previous transactions during a financial year exceeds 5% of the annual consolidated turnover of the Company as per the last audited financial statement of the Company.

- ❖ **“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:

- a) Is normal or otherwise remarkable for your particular business (i.e. features in your system, processes, advertising, staff training, etc.)
- b) Is frequent and regular
- c) Involves significant amounts of money
- d) Is a source of income for your business
- e) Involves significant allocation of resources
- f) Is involved in a service or product that is offered to customers

- ❖ **“Related Party”** means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013, or under the applicable accounting standards or under Regulation 2(1) (b) of SEBI (LODR) Regulations 2015 as amended from time to time.

As per the above provisions, the illustrative list of Related Parties of UPPCL is given below:

- a) A director or his relative;
- b) A key managerial personnel or his relative;
- c) A firm, in which a director, manager or his relative is a partner;
- d) A private company in which a director or manager or his relative is a member or Director.

- e) 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;
- f) Anybody 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;
- g) Any person on whose advice, directions or instructions a director or manager is accustomed to act;
- h) Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- i) Anybody corporate which is—
 - 1. A holding, subsidiary or an associate company of such company;
 - 2. A subsidiary of a holding company to which it is also a subsidiary; or
 - 3. An investing company or the venturer of the company.
- i. 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.

❖ **“Related Party Transaction”** shall be as per Regulation 2(1) (c) of SEBI (LODR) Regulations, 2015. Accordingly, a related party transaction is a transaction involving transfer of resources, services, or obligations between

- a) Listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- b) Listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, regardless of whether a price is charged.

A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

Provided that the following shall not be a related party transaction:

- a) The issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
- b) The following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. Payment of dividend.

- ii. Subdivision or consolidation of securities.
 - iii. Issuance of securities by way of a rights issue or a bonus issue; and buy-back of securities.
- ❖ **“SEBI (LODR) REGULATIONS, 2015”** or “Listing Regulations” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amended from time to time.

All terms used in this Policy but not notified herein shall have the meaning assigned to such terms in the Act and Rules there under and SEBI (LODR), 2015, as amended from time to time.

4. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS AND MATERIALITY THRESHOLDS

4.1 Identification of related parties

- i. The Company shall identify related parties as per the definition provided in the Act and SEBI LODR.
- ii. The Company shall obtain the list of related parties of its Subsidiary companies as per the definition provided in the Act and SEBI LODR.
- iii. The Company shall regularly verify and update the Related Party List and review and confirm (at least once a quarter) in accordance with the Act and SEBI LODR.

4.2 Identification of related party transactions

As a policy, UPPCL will identify the RPTs as per the applicable laws, which require consent of the Audit Committee, Board of Directors and shareholders, as the case may be. Currently, UPPCL has identified the RPTs and subsequently categorized them into broad categories as mentioned in **Annexure I. (Copy enclosed)**

Any other RPT identified during the periodic review not covered under any specific broad category shall be independently reviewed, approved and included for confirmation as a part of Related Party Policy mechanism.

UPPCL shall report the transactions of aforementioned category entered into with related parties identified as per Clause 4(a) of this RPT Policy and put the same for necessary approvals required as per the applicable law.

4.3 Materiality Thresholds

- The Board of Directors (BOD) of UPPCL approves the significant related party transaction. This decision comes as part of the corporation's ongoing efforts to streamline operations and enhance strategic partnerships and following a

thorough review, involves a business arrangement with an entity linked to one of UPPCL's stakeholders.

5. PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS

5.1 Approval of the Audit Committee:

U. P. Power Corporation has taken blanket approval w.r.t the related party transactions between the Company and its wholly owned subsidiary (Discoms) & as per the occurrence of the event the consideration w.r.t the said transaction is done by Audit Committee of the Company.

5.2 Approval of the Board and Shareholders of the Company

As per the provisions of Companies Act, 2013 & SEBI (LODR) Regulations, 2015 the requirement of the Shareholders Approval is not applicable on Government Companies.

6) SUMMARY OF THE APPROVAL MECHANISM UNDER SEBI LODR, 2015 AND THE COMPANIES ACT, 2013:

<u>Details of Transaction(s)</u>	<u>Approving Authority</u>	<u>Applicability</u>
All Related Party Transactions and any subsequent modification	Audit Committee	Government Companies are exempted from the requirement of passing the Shareholders resolution & approval from the Board of Directors as per the recommendation of Audit Committee as per the exemptions prescribed under the Companies Act, 2013 & SEBI (LODR) Regulations, 2015
RPTs at 5.2.1 above which are not in ordinary course of business or not on arm's length basis or both (less than threshold limits)	Approval and recommendation Audit Committee to the Board and Approval by the Board.	
RPTs at 5.2.1 above which are not in ordinary course of business or not on arm's length basis or both (less than threshold limits)	Approval and recommendation Audit Committee to the Board.	
Material RPTs at 5.2.2 above	Approval and recommendation By the Board to Shareholders and Approval by Shareholders, by way of resolution	

7) EXEMPTIONS:

U. P. Power Corporation Limited is a Government Company as per Section 2(45) within the meaning of Companies Act, 2013 and set up by Government of Uttar Pradesh.

The following exemptions are under the Companies Act, 2013 and SEBI (LODR) Regulation, 2015:

➤ As per the Companies Act, 2013:

- i. For a transaction, other than a transaction referred to in section 188 of the Companies Act, 2013, between a holding company and its wholly owned subsidiary company.
- ii. 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
- iii. To a government company in respect of contracts or arrangements entered into by it with any other Government company.
- iv. If the transactions are at arms' length and in the ordinary course of business.

➤ As per SEBI (LODR) Regulation, 2015:

The provisions of sub-regulations (2), (3) and (4) of regulation 23 shall not be applicable in the following cases:

- A.** Transactions entered into between two government companies.
- B.** 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.
- C.** Transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

7) **DISCLOSURES OF RELATED PARTY TRANSACTIONS**

- Details of the RPTs during the quarter shall be disclosed in the Audit Committee and Board meeting.
- The Company shall disclose to the Stock Exchanges along with the compliance report on corporate governance on a quarterly basis, details of all material RPTs with related parties. In addition, the Company shall also submit to the stock exchanges disclosures of RPTs in the format as specified by the SEBI from time to time, and publish the same on its website in accordance with the SEBI LODR.
- Board's Report shall contain details of RPTs as required under applicable law.
- This Policy shall be communicated to all concerned employees, departments & Related Parties of the Company as detailed out at **Annexure-I** for its implementation and reporting.

8) **AMENDMENTS**

The Board may subject to applicable laws, amend any provisions(s) or substitute any of the provisions(s) with the new provision(s) or replace the RPT Policy entirely with a new policy. The RPT Policy is subject to review from time to time.

In the event of any conflict between the provisions of this RPT Policy and applicable laws, the provisions of such applicable laws shall prevail over this Policy.

List of Related Parties

➤ Related Parties where control exists

• **Subsidiaries (DISCOMs):**

- I. Madhyanchal Vidyut Vitran Nigam Limited
- II. Dakshinanchal Vidyut Vitran Nigam Limited
- III. Purvanchal Vidyut Vitran Nigam Limited
- IV. Pashchimanchal Vidyut Vitran Nigam Limited
- V. Kanpur Electricity Supply Company Limited
- VI. UP Renewable & EV Infrastructure Limited

• **Employment Benefit Funds:**

- I. U.P. Power Sector Employees Trust (GPF)
- II. U.P. Power Corporation Employees Contributory Provident Fund Trust (CPF)

➤ **UP-Related Power Sector Entities (under the same government)**

- I. U.P. Power Transmission Corporation Limited
- II. Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited
- III. Uttar Pradesh Jal Vidyut Nigam Limited
- IV. U.P. State Load Dispatch Center Limited (UPSLDC)