

TAMIL NADU NEWSPRINT AND PAPERS LIMITED

POLICY ON RELATED PARTY TRANSACTION

1. INTRODUCTION

1.1 The Board of Directors (the "Board") of Tamil Nadu Newsprint and Papers Limited (the "Company") has adopted this policy upon the recommendation of the Audit Committee and the said Policy includes materiality threshold and the manner of dealing with Related Party Transactions ("Policy") in compliance with the requirements of Section 188 of the Companies Act, 2013 and Regulation 23 of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015 ('SEBI Listing Regulations, 2015')

1.2 This Policy applies to regulate transactions between the Company and its related parties based on the applicable laws and regulations to the Company. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

2. OBJECTIVES

2.1 This policy is intended to ensure proper approval and reporting of transactions applicable, between the Company and any of its Directors, officers or certain entities or persons related to them, in the best interest of the Company and its Stakeholders.

2.2 Provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness

in the conduct of related party transactions, in terms of the applicable laws. This Policy shall supplement the Company's other policies in force that may be applicable to or involve transactions with related parties.

3. DEFINITIONS

- 3.1 **'Applicable Laws'** means the Companies Act, 2013 and the rules made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and include any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions..
- 3.2 **'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.
- 3.3 **'Audit Committee'** means the Committee of the Board formed under Section 177 of the Act and as per regulation 18 and any other applicable regulation of the Listing Agreement.
- 3.4 **'Board of Directors'** or **'Board'** means the Board as defined in Section 2(10) of the Companies Act, 2013, including committees of the Board wherever authorized by the Board.
- 3.5 **'Company'** means Tamil Nadu Newsprint and Papers Limited.
- 3.6 **'Director'** means a person as defined in Section 2(34) of the Companies Act, 2013.

3.7 **'Key Managerial Personnel'** means the following managerial personnel as defined under the Companies Act, 2013;

- (i) the Chief Executive Officer or the managing director or manager;
- (ii) the Company Secretary;
- (iii) the whole-time director;
- (iv) the Chief Financial Officer and
- (v) such other officer as may be prescribed under the Companies Act 2013.

"Material Modification" means subsequent modification to an existing Related Party Transaction pre approved by the Audit Committee or Board in case such subsequent modification exceeds the value of the pre approved Transactions by 25% whichever is less. Where a modification is not quantifiable in monetary terms, the materiality for modification shall be laid down by the audit committee in respect of each contract based on facts and circumstances of the modification.

3.8 **'Material Related Party Transactions'** will have the same meaning as defined in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

3.9 **'Ordinary course of business'** means a transaction which is carried out in the normal course of business envisaged in accordance with the Memorandum of Association and the Articles of Association of the Company as amended from time to time, within the perimeter of the ordinary exercise of operational activities or related financial activities.

3.10 **'Related Party'** will have the same meaning as defined under Section 2(76) of the Act and/or the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Reference and reliance may be placed on the clarification issued by the Ministry of the Corporate Affairs, Government of India and Securities and Exchange Board of India and other Authorities from time to time on the interpretation of the term "Related Party".

3.11 **'Relative'** in relation to a Related Party shall have the same meaning assigned to in Section 2(77) of the Act. "Associate Company" means a company in which the other company has significant influence but which is not a subsidiary of the Company having such influence and includes a joint venture company.

3.12 **'Related Party Transactions'** or **'RPT'** means any transaction directly or indirectly involving any Related Party, which includes transfer of resources, services or obligations between the Company and a related party, regardless of whether or not a price is charged, either single or a group of transactions in a contract. The term shall also include a Material Modification.

3.13 "Specific Related Party Transaction" shall mean any of the following transactions entered into by the Company with any of its Related Parties which are, either not in the ordinary course of business or not on arm's length basis:

- a. sale, purchases 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 purchases 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.

4. POLICY

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

4.1 Identification of Related Party Transactions

Every Director and Key Managerial Personnel will be responsible for providing notice to the Board or the Audit Committee of the list of related parties as covered under Sec. 2(76) of the Companies Act as well under Accounting Standard 18. This list of related parties shall be updated on an annual basis and further changes informed as soon as possible. Each Director as well as KMP shall inform in advance the Company of any potential Related Party Transactions involving him or her or his or her Relative, including any additional information about the transactions that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transactions does, in fact, constitute a Related Party Transactions requiring compliance with this Policy.

4.2 Threshold limits and Materiality of RPT:

The Committee / Board shall fix and approve the threshold limit for each individual transaction as may be placed for approval from time to time.

Further the audit committee may also fix the threshold limits for the transactions under the omnibus approval in the manner specified below

A transaction with a related party shall be considered material if the transactions to be entered into individually or taken together with previous transactions during the financial year exceeds ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity

4.3 Procedure for approval of Related Party Transactions

a) Approval of the Audit Committee

All related party transactions require prior approval of the Audit Committee.

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions w.e.f January 01, 2022.

The Audit Committee may grant Omnibus Approval for RPTs proposed to be entered into by the Company subject to the following conditions:

- The Audit Committee shall lay down the criteria for granting for omnibus approval in line with the Policy and such approval shall be applicable in respect of repetitive transactions.
- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
- The omnibus approval shall provide details of (i) the name/s of the related party, nature of transactions, period of transactions,

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.

However, in case of Related Party Transactions which cannot be foreseen and where the above details are not available, the Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 crore per transaction.

- 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 approval given.
 - The omnibus approval shall be valid for a period one year and shall require fresh approvals from the Audit Committee after the expiry of one year from the grant of each approval.
- ii. 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.
- iii. It shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company.
- iv. Such omnibus approval shall specify –

- The name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
- The indicative base price / current contracted price and the formula for variation in the price if any, and
- Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

Provided that where the need for RPT 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 (One) crore per transaction.

vii. . Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

viii. Any other conditions as the Audit Committee may deem fit.

In order to review a RPT, the Audit Committee will be furnished with all relevant material information of the RPT, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

In determining whether to approve a RPT, the Audit Committee will consider the following factors, among others, to the extent relevant to the RPT:

- > Name of the related party and the relationship
- > Nature and duration of transaction and material terms including the value, if any

- The manner of determining the pricing and whether the terms of the RPT are fair and on arm's length basis to the Company
- Business rationale for such transactions.

In case of transaction, other than transactions referred to in Section 188 of the Act, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board. Further, in case any transaction involving any amount not exceeding Rupees 1 (one) crore is entered into by a director or officer of the Company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within 3 (three) months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorized by any other director, the director concerned shall indemnify the Company against any loss incurred by it.

Audit Committee shall also approve Related Party Transactions entered into by the Subsidiary companies even though the Company is not party to such transactions if the thresholds as per SEBI (Listing Obligations and Disclosure Requirements) Regulations become applicable.

The requirement of obtaining Audit Committee approval or any subsequent modification of transactions of the Company with related parties by the Audit Committee shall not apply to a transaction, other than a transaction referred to in Section 188, between a holding company and its wholly owned subsidiary company.

b) Approval of the Board

If the Audit Committee determines that a RPT should be brought before the Board, or it is mandatory under any Applicable law for Board to approve a RPT, or in the case of Specific RPTs, then the

considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

c) Approval of Shareholders

If the Audit Committee and the Board determines that a RPT should be brought before the Shareholders, or it is mandatory under any Applicable law for the shareholders to approve a RPT or in case of material RPTs, then such shareholder approval, as may be necessary or appropriate under the circumstances, shall be obtained and the considerations set forth above shall apply to the Shareholders' approval of the matter.

However, all material related party transactions shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

4.4 Reporting / Review

- (i) All Related Party Transactions shall be reported to the Audit Committee and after review, the Audit Committee shall refer the same to the Board for its noting in accordance with this Policy.
- (ii) Related Party Transactions shall be referred to the next regularly scheduled meeting (s) of Audit Committee for its review and approval.
- (iii) For the purpose of review, the Audit Committee, shall be provided with all relevant material information of the RPT, including the terms

of transactions, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters;

- (iv) Any member of the Audit Committee who has an interest in any Related Party Transaction shall recuse himself or herself and shall not participate in the discussion and voting on the approval of such Related Party Transactions.

4.5 Factors to be considered by the Board/Audit Committee while approving a Related Party Transaction

- (i) Whether the terms of the Related Party Transactions are fair to the Company and are on arm's length basis and would apply on the same basis, if the transaction did not involve a Related Party;
- (ii) Whether there are any overwhelming business reasons for the Company to enter into the Related Party Transaction and nature of possible alternative transactions, if any;
- (iii) Whether the Related Party Transaction would affect the independence of an Independent Director;
- (iv) Whether ratification of such Related Party Transaction, if done, would be detrimental to the Company;
- (v) Whether the Related Party Transaction would pose an improper conflict of interest for any Director, or a Key Managerial Personnel of the Company, having regard to the size of the transaction, the overall financial interest, which may accrue to the Director, Key Managerial Personnel or other Related Party, the direct or indirect

nature of interest of the Director, KMP or other Related Party in the transaction and any other factors the Board/Audit Committee may consider necessary.

4.6 Right of the Board/Audit Committee

- i) In the event a Related Party Transaction that has been commenced without approval of the Audit Committee or the Board, the company shall immediately report such transaction to the Audit Committee and the Board. If the Board / Audit Committee determine not to ratify, then the Board / Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to enable it for ratification.
- ii) While reviewing any Related Party Transaction, the Board / Audit Committee has authority to modify or waive any procedural requirements specified in this Policy.

5. TRANSACTIONS AT ARM'S LENGTH

The Company shall adopt generally accepted practices and principles in determining whether the transaction is at "arm's length"

6. CONSEQUENCES OF NON-COMPLIANCE OF THE POLICY FOR ANY RELATED PARTY TRANSACTION

Non-compliance of this Policy may lead to initiation of disciplinary proceedings against the employee by the Company under the Service Rules or Employee Standing Orders. Details of such disciplinary

proceedings will form part of the personal file of such employee and will be considered as a default on his or her key responsibilities.

7. DISCLOSURE OF THE POLICY

The Company will disclose the Policy on dealing with Related Party Transaction on its website and in the Annual Report as may be required under applicable laws.

Pursuant to Section 134 (3)(h) of the Companies Act, 2013 particulars of contracts or arrangements with related parties referred to in section 188 of the Companies Act shall be disclosed in the Directors Report in the prescribed format.

8. AMENDMENTS TO THE POLICY

The Audit Committee will, from time to time, review and may amend the policy as per the changing legal requirements and / or as and when required subject to approval of the Board. This Policy may be amended by the Board at any time either suo-motu and / or pursuant to amendments to the Companies Act 2013 and rules made thereunder, listing agreement or such other rules, regulations, guidelines as may be notified by Securities Exchange Board of India.
