



TRANSACTIONS WITH ASSOCIATED CONCERN POLICY

National Power Parks Management Company

**TRANSACTIONS WITH
ASSOCIATED
CONCERNS POLICY
October 2016**

Issuing Officer
Company Secretary

Target Audience
Management and Board of Directors

Approving Authority
Board of Directors

Issuing Date
October 2016

Revision
Initial Issue

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National Power Parks Management Company (Pvt.) Ltd.

1. SCOPE AND OBJECTIVE

The objective of this policy is to ensure that transactions between National Power Parks Management Company (Private) Limited (NPPMCL) and its associated concerns are based on principles of transparency and arm's length pricing. This policy aims at providing guidance in situations of potential conflict of interests in the execution of transactions involving associated concerns / related parties.

2. GUIDING PRINCIPLES

- 2.1** "Associated concern or related parties", in relation to a company, means an entity which has the ability to control the company or exercise significant influence over the company in making financial and operating decisions or vice versa and includes the following, namely:
 - 2.1.1** entities that directly or indirectly through one or more intermediaries control, or are controlled by, or are under common control with, the reporting company including holding companies, subsidiaries and fellow subsidiaries;
 - 2.1.2** associates, as defined in the International Accounting Standards;
 - 2.1.3** individuals owning, directly or indirectly, an interest in the voting power of the reporting company that gives them significant influence over the company, and close members of the family of any such individual;
 - 2.1.4** key management personnel, that is, persons having authority and responsibility for planning, directing and controlling the activities of the reporting company including directors and officers of such company and close members of the families of such individuals;
 - 2.1.5** entities in which a substantial interest in the voting power is owned, directly or indirectly, by any person or over which such person is able to exercise significant influence including entities owned by directors or major shareholders of the reporting company and entities that have key management personnel in common with the reporting company;
 - 2.1.6** entities in which one or more of the directors or members of the governing board are appointed by the reporting company or vice versa;
 - 2.1.7** where one or more of the directors or members of the governing board of the entity as well as the reporting company are appointed by the same person or persons.
- 2.2** The details of all transactions with associated concerns / related parties whether executed at arm's length price or otherwise shall be placed before the audit committee and upon recommendations of the audit committee, the same shall be placed before the Board for review and approval.
- 2.3** A party wise record of transactions will be maintained. The record of related party transaction shall include the following particulars in respect of each transaction, namely:—
 - 2.3.1** name of related party;
 - 2.3.2** nature of relationship with related party;
 - 2.3.3** nature of transaction;
 - 2.3.4** amount of transaction; and

- 2.3.5 terms and conditions of transaction, including the amount of consideration received or given'
 - 2.3.6 contract with related party.
- 2.4 If there have been transactions between related parties, disclose the nature of the related party relationship as well as information about the transactions and/or outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements.

3. IMPLEMENTATION

Any potential Related Party Transaction brought to finance department's attention is to be analyzed in consultation with management, as appropriate, to determine whether the transaction or relationship does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

4. MONITORING

- 4.1 In determining whether to approve a Related Party Transaction, the BOD will consider, the following factors to the extent relevant to the Related Party Transaction:
 - 4.1.1 whether the terms of the Related Party Transaction are fair to the Company and on the same basis as would apply if the transaction did not involve a Related Party;
 - 4.1.2 whether there are business reasons for the Company to enter into the Related Party Transaction;
 - 4.1.3 and whether the Related Party Transaction would present a conflict of interests for any director or executive officer of the Company, taking into account the size of the transaction, the overall financial position of the director, executive officer or Related Party, the direct or indirect nature of the director's, executive officer's or Related Party's interest in the transaction and the ongoing nature of any proposed relationship, and any other factors the board deems relevant.
- 4.2 Any member of the Board who has an interest in the transaction under discussion will abstain from voting on the approval of the Related Party Transaction, but may, if so requested by the Chairman of the board, participate in some or all of the Board's discussions of the Related Party Transaction. Upon completion of its review of the transaction, the Board may determine to permit or to prohibit the Related Party Transaction.

5. POLICY REVIEW

This Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the Policy due to change in regulations or as deemed appropriate by the Audit Committee.