

# **SJVN Limited**

**CIN: L40101HP1988GOI008409**

**Regd. Office: SJVN Corporate Office Complex,  
Shanan, Shimla-171006, Himachal Pradesh**



## **Code of Conduct for Board Members and Senior Management**

## SJVN LIMITED

### CODE OF CONDUCT FOR BOARD MEMBERS AND SENIOR MANAGEMENT

#### **1.0 Introduction**

- 1.1** This Code shall be called "The Code of Business Conduct & Ethics for Board Members and Senior Management" of SJVN Limited (hereinafter referred to as "the Company")
- 1.2** The purpose of this Code is to enhance ethical and transparent process in managing the affairs of the Company and thus to sustain the trust and confidence reposed in the Management by the stakeholders and business partners in alignment with Corporation's Vision and Values to achieve the Mission and Objectives. Directors and Senior Management are expected to understand, adhere to, comply with and uphold the provisions of this Code and the Standards laid down hereunder in their day to day functioning.
- 1.3** The Company currently has Conduct, Discipline & Appeal Rules ("CDA Rules"), which govern the conduct of all permanent employees of the Company including Whole-time Directors but excluding part-time Directors and those governed by the Standing Orders under the Industrial Employment (Standing Orders) Act, 1946. This Code for Board Members and Senior Management Personnel has now been framed specifically in compliance with the provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and Guidelines of Department of Public Enterprises. In respect of Whole-time Directors and Senior Management, this Code shall be read in conjunction with the CDA Rules.
- 1.4** This Code is further amended and amended Code shall be effective from 30<sup>th</sup> October, 2023.

#### **2.0 Definitions and Interpretations:**

**In this Code, unless repugnant to the meaning or context thereof, the following expressions, wherever used in this Code, shall have the meaning assigned to them below**

- 2.1** The term "Board Members" shall mean Directors on the Board of the Company including the Part-time Directors.
- 2.2** "Competent Authority" means the Board in case of Directors and CMD in case of Senior Management.
- 2.3** The term "Whole-time Directors" or "Functional Directors" shall be the Directors who are in whole-time employment of the company.
- 2.4** The term "Part-time Directors" shall mean Directors on the Board of Directors of the Company who are not in whole time employment of the Company and includes Part-time Official Directors (Government/Nominee Directors) and Part-time Non-Official Directors (Independent Directors).
- 2.5** The term "Senior Management" shall mean the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director

or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer.

Explanation: Functional Heads means Heads of Departments and Heads of Projects / Units / Offices of Company.

2.6 The Term “Public Spokesperson” shall mean the Officer of the Company nominated as such by the Company under the Code of Corporate Disclosure Practices for Prevention of Insider Trading.

Note: In this Code words importing the masculine gender shall include feminine gender and words importing singular shall include the plural or vice-versa.

### 3.0 Applicability

3.1 This code shall be applicable to the following personnel:

- a) All Whole-time Directors including the Chairman & Managing Director
- b) All Part-time Directors (including the Independent Directors and Government Directors) unless specifically exempted from some of the provisions of this Code.
- c) Senior Management.

The Whole-time Directors and Senior Management shall continue to comply with other applicable/to be applicable policies, rules and procedures of the Company. This Code shall be in addition to any other rules as may be formulated to regulate the conduct of the Directors and Senior Management.

### 4.0 CODE OF CONDUCT

**In performing their functions, the Directors or Senior Management shall act within the authority conferred upon them in the best interests of the Company and shall exercise:**

4.1 **Due Diligence and Care:** Shall act with utmost *care, skill and diligence* in a *fair, reasonable and bonafide manner, without allowing their independent judgement to be subordinated*, maintaining *high standards of integrity* in all its activities and dealings in the best interest of the Company and its stakeholders.

4.2 **Ethical Conduct:** Shall act in an *ethical manner*, conforming to the accepted professional standards fulfilling their fiduciary obligations towards the Company and the Stakeholders.

4.3 **Compliance with Laws, Rules & Regulations:** Shall in his or her business conduct, comply with all applicable laws and regulations, both in letter and in spirit. If the ethical and professional standards set out in the applicable laws and regulations are below that of the Code, then the standards of the Code shall prevail.

4.4 **Conflict of Interest:** shall be scrupulous and use their prudent judgement to avoid all situations, decisions or relationships which give or could give rise to conflict of interest or appear to conflict with their responsibilities within the Company; Any situation that involves, or may reasonably be expected to involve, a conflict of interest with the Company shall be disclosed promptly to the Competent Authority.

1. **Outside Directorships:** Unless specifically permitted by the Board shall not serve as Director of any other Company or be a Partner of a Firm or Management Position in any other entity that is engaged in a business competing with the Company or with which the Company has business relations. This clause is not applicable to Government/Nominee Directors. In case of Independent Directors, if the Board feels , it may refer the conflict of interest to the Government of India.

Senior Management Personnel shall obtain prior approval of the Chairman & Managing Director of the Company for accepting Directorship of any other Company or partnership of a firm/ Limited Liability Partnership or management position in any other entity.

The Functional Directors shall not accept any appointment or post, whether advisory or administrative, in any firm or company, whether Indian or Foreign, with which the Company has or had business relations, within one year from the date of retirement without prior approval of the Government.

2. **Consultancy/ Business / Outside employment:** Shall not engage in any activity that interferes with his performance or responsibilities to the Company and is prejudicial to its interests.
3. **Business Interests:** While investing in the business of any competitor of the Company, they shall ensure that they use their prudent judgement to avoid all situations, decisions or relationships which give or could give rise to conflict of interest or appear to conflict with their responsibilities within the Company; These investments do not compromise their responsibilities towards the Company. Permission from the competent authority shall be obtained for investment in a company exceeding two percent of the capital of that company.
4. **Corporate Opportunities:** Shall not exploit the information acquired or gained in his/ her official capacity for personal advantage or to the advantage of any third party detrimental to the interests of the company.
- 4.5 **Gifts:** shall neither receive nor offer or make, directly or indirectly, any gifts, donations or comparable benefits which are intended to or perceived to obtain undue favours in the transactions detrimental to the interest of the Company, except for nominal value, which are customarily given or are of commemorative nature for special events and should never be of a kind that could create an appearance of impropriety.
- 4.6 **Disclosure:** shall not engage in making any adverse criticism of any policy or action of the Government or of the Company that is likely to prejudice the Company's business, fellow Directors, Senior Management or other staff.
- 4.7 **Confidentiality:** Any information concerning the Company's business, its customers, suppliers, etc. to which the Directors and Senior Management have access or which is possessed by the Directors and Senior Management, must be considered privileged and confidential and should be held in confidence at all times, and should not be disclosed to any person, unless (i) specifically authorized; or (ii) the same is part of the public domain at the time of disclosure; or (iii) is required to be disclosed in accordance with applicable laws.

- 4.8 Annual Affirmation of compliance:** shall on an annual basis, affirm compliance with this Code in the prescribed format and the CMD shall in turn declare the same in the Annual Report.
- 4.9 Related Party Disclosures:** shall make disclosure of related party transactions to the Board of Directors and the Senior Management Personnel shall make disclosure of the related party transactions to the Chairman & Managing Director as per the provisions of the Companies Act, 2013 and rules framed there under. For definition and statutory provisions regarding “related party transactions” and “relative” refer **Appendix – III** and **Appendix – IV** respectively.
- 4.10 Protection of Assets:** shall deploy the assets of the Company and for the purpose of conducting the business for which they are duly authorised. These include tangible assets such as equipment and machinery, systems, facilities, materials, resources as well as intangible assets such as proprietary information, relationships with customers and suppliers, etc.
- 4.11 Be accountable to Company's stakeholders:** shall be accountable to the Customers, the Shareholders, the Vendors, all other stakeholders of the Company and the entire society at large.
- 4.12 Identify, mitigate and manage business risks:** shall identify the business risks that surround function or area of operation of the Company, to assist in the company wide process of managing such risks in accordance with the Company’s Risk Management Policy.

**5.0 Prevention of Insider Trading:**

The Board Members and Senior Management Personnel shall comply with the Code of Internal Procedures and Conduct for Prevention of Insider Trading, in dealing with securities of the Company.

**6.0 Duties of Directors:**

The Director(s) of the Company:

- i. shall act in accordance with the articles of the company, subject to the provisions of the Companies Act, 2013 as amended from time to time;
- ii. shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment;
- iii. shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment;
- iv. shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company;
- v. shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company;
- vi. shall not assign his office and any assignment so made shall be void;

**7.0 Protection of Employee:** The Company shall ensure confidentiality and protection to any person who has, in good faith, reported a violation or a suspected violation of law, of this code or other Company policies, or against any person who is assisting in any investigation or process with respect to such a violation.

**8.0 Cooperation in investigation:** Directors/Officers shall cooperate in any internal or external investigation of possible violations.

**9.0 Discrimination and Harassment:** The Company is committed to provide a workplace free of discrimination and harassment based on race, color, religion, age, gender, national origin, disability, veteran status, or any other biases. It will be the endeavor of every director and officer of the Company to see that workplace is free from such bias.

**10.0 Safety, Health and Environment:** The Company shall strive to provide a safe and healthy working environment and comply in the conduct of its business affairs with all regulations regarding the preservation of the environment of the territory it operates.

**11.0 Duties of Independent Directors:** All the independent directors shall also abide by the code of conduct as provided in Schedule IV of the Companies Act and appended in **Appendix V**.

**12.0 Confidentiality of Information:**

Subject to the Code of Corporate Disclosure Practices as may be prevalent in the Company from time to time any information concerning the Company's business, its customers, suppliers, etc. to which the Board Members and Senior Management Personnel have access or which are in their possession, must be considered confidential and held in confidence.

No Board Member and Senior Management Personnel shall provide any information either formally or informally, to the press or any other media, unless specifically authorized. The Board Members and Senior Management Personnel shall also be required to maintain confidentiality of information for a period of 6 months after separation from the Company.

Provided that Board Members and Senior Management Personnel shall in consultation/under intimation to the Public Spokesperson of the Company be free to disclose such information which is:

- (a) part of the public domain at the time of disclosure; or
- (b) authorised or required to be disclosed pursuant to a decision of the Board or any of its Sub-Committees; or
- (c) required to be disclosed in accordance with applicable laws, rules, regulations, guidelines or directions from the Government.

**13.0 Consequences of Non-Compliance**

Non-compliance or breach of Code of Conduct shall be deemed as "Misconduct" under Rule 5 of company's Conduct, Discipline and Appeal (CDA) Rules and appropriate action as per CDA rules shall be initiated for such breach by the Competent Authority.

**14.0 Amendments to the Code**

The provisions of the Code can be amended /modified by the Board of Directors of the Company from time to time in line with any changes in law, as may be deemed necessary by the Board.

Further, this policy shall stand amended/modified to the extent of any amendment/modification done to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**15.0 Where to seek clarifications:**

Any clarification regarding this code of conduct may be sought from the Company Secretary.

**16.0 Placement of the Code on Company's Website**

This Code and any amendment thereto shall be hosted on the website of the Company.

**17.0 Annual Compliance Reporting:**

In terms of the revised SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, all Board Members and Senior Management shall affirm compliance of this Code within 30 days of close of every financial year. The Annual Report of the Company shall contain a declaration to this effect signed by Chairman & Managing Director. A proforma of Annual Compliance Report is at **Appendix II**. The Annual Compliance Report shall be forwarded to the Company Secretary. If any Board Members and Senior Management Personnel leave the Company any time during a financial year, he shall send a communication to Company Secretary affirming compliance of the Code till the date of his association with the Company.

The Chairman & Managing Director of the Company and the Whole Time Finance Director or any other person heading the finance function shall certify to the Board that there are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of this Code.

**18.0 Acknowledgement of Receipt of Code:**

All Board Members and Senior Management Personnel shall acknowledge receipt of this Code or any modification(s) thereto, in the acknowledgement form as at **Appendix-I** and forward the same to the Company Secretary.

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**SJVN LIMITED**  
**CODE OF CONDUCT**  
**FOR BOARD MEMBERS AND SENIOR MANAGEMENT**

**ACKNOWLEDGEMENT OF RECEIPT**  
**OF**  
**CODE OF BUSINESS CONDUCT AND ETHICS FOR BOARD MEMBERS AND SENIOR**  
**MANAGEMENT**

I have received and read the code of Business Conduct and Ethics for Board Members and Senior Management of SJVN Ltd. I understand the standards and policies contained in the said Code of Business Conduct and Ethics and understand that there may be additional policies or laws specific to my job. I further agree to comply with the said Code of Business Conduct and Ethics.

Signature \_\_\_\_\_

Name \_\_\_\_\_

Designation \_\_\_\_\_

Date: \_\_\_\_\_

Employment Number \_\_\_\_\_

Place: \_\_\_\_\_

Telephone No. \_\_\_\_\_

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**SJVN LIMITED**  
**CODE OF CONDUCT**  
**FOR BOARD MEMBERS AND SENIOR MANAGEMENT**

**AFFIRMATION/ ANNUAL COMPLIANCE REPORT\***  
**For the Year ended 31<sup>st</sup> March \_\_\_\_\_**

(By Board Members/ Senior Management of the Company on Annual basis by 30<sup>th</sup> April of every year)

I, ..... (name), ..... (designation), having read and understood the Code of Business Conduct and Ethics for Board Members and Senior Management, hereby solemnly affirm that I have complied with and have not violated any of the provisions of the Code during the year ended 31<sup>st</sup> March .....

Signature \_\_\_\_\_

Name \_\_\_\_\_

Designation \_\_\_\_\_

Date: \_\_\_\_\_

Employment Number \_\_\_\_\_

Place: \_\_\_\_\_

Telephone No. \_\_\_\_\_

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**SJVN LIMITED**  
**CODE OF CONDUCT**  
**FOR BOARD MEMBERS AND SENIOR MANAGEMENT**

**RELATED PARTY DEFINITION & TRANSACTIONS**  
**APPLICABLE PROVISIONS OF COMPANIES ACT 2013 & SECURITIES AND EXCHANGE**  
**BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS)**  
**REGULATIONS, 2015**

**Definition of related party as per section 2 (76) of the Companies Act, 2013 read with Rule 3 of the Companies (Specifications of Definitions Details) Rules, 2014:**

“Related Party”, with reference to a company, means—

- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager or his relative is a member or director;
- (v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent. of its paid-up share capital;
- (vi) any body 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;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:  
 Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) any company which is—
  - (A) a holding, subsidiary or an associate company of such company; or
  - (B) a subsidiary of a holding company to which it is also a subsidiary;
  - (C) an investing company or the venturer of the company;

Explanation— For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

- (ix) such other person as may be prescribed;

As per Rule 3 of the Companies (Specifications of Definitions Details) Rules, 2014, 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.

**Definition of related party as per clause (zb) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015:**

“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:

Provided that:

- a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
- b) any person or any entity, holding equity shares:
  - i. of twenty per cent or more; or
  - ii. of ten per cent or more, with effect from April 1, 2023;in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party:

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

**Definition of related party transaction as per clause (zc) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015:**

“related party transaction” means a transaction involving a transfer of resources, services or obligations between:

- i. 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
- ii. a 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, with effect from April 1, 2023;

regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a 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
  - iv. buy-back of securities.
- c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s).

**Extract of Section 188 of the Companies Act, 2013 read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014**

- (1) Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no company shall enter into any contract or arrangement with a related party with respect to—
- (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;
  - (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:

Provided that no contract or arrangement, in the case of a company having a paid-up share capital of not less than such amount, or transactions not exceeding such sums, as may be prescribed, shall be entered into except with the prior approval of the company by a resolution:

Provided further that no member of the company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party:

Provided also that nothing contained in the second proviso shall apply to a company in which ninety per cent. or more members, in number, are relatives of promoters or are related parties:

Provided also that nothing in this sub-section shall 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.

Provided also that the requirement of passing the resolution under first proviso shall not be applicable 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.

Explanation. — In this sub-section,—

- (a) the expression “office or place of profit” means any office or place—
  - (i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
  - (ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body

corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

- (b) 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.
- (2) Every contract or arrangement entered into under sub-section (1) shall be referred to in the Board’s report to the shareholders along with the justification for entering into such contract or arrangement.
- (3) 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 a resolution in the general meeting under sub-section (1) 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.
- (4) Without prejudice to anything contained in sub-section (3), it shall be open to the company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.
- (5) Any director or any other employee of a company, who had entered into or authorised the contract or arrangement in violation of the provisions of this section shall,—
- i. in case of listed company, be liable to a penalty of twenty-five lakh rupees and
  - ii. in case of any other company, be liable to a penalty of five lakh rupees

**As per Ministry of Corporate Affairs Notification No. G.S.R. 151(E) dated 2<sup>nd</sup> March, 2020**, in case of Government company - First and second proviso to Sub- section (1) of section 188 shall not apply to:

- (a) a Government company in respect of contracts or arrangements entered into by it with any other Government company, or with Central Government or any State Government or any combination thereof;
- (b) a Government company, other than a listed company, in respect of contracts or arrangements other than those referred to in clause (a), in case such company obtains approval of the Ministry or Department of the Central Government which is administratively in charge of the company, or, as the case may be, the State Government before entering into such contract or arrangement.

**Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014:**

A company shall enter into any contract or arrangement with a related party subject to the following conditions, namely:-

- 1) The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose-
  - a) the name of the related party and nature of relationship;

- b) the nature, duration of the contract and particulars of the contract or arrangement;
  - c) the material terms of the contract or arrangement including the value, if any;
  - d) any advance paid or received for the contract or arrangement, if any;
  - e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
  - f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
  - g) any other information relevant or important for the Board to take a decision on the proposed transaction.
- 2) Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement-

For the purposes of first proviso to sub-section (1) of section 188, except with the prior approval of the company by a resolution, a company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into,—

- (a) as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188, with criteria as mentioned below -
  - (i) sale, purchase or supply of any goods or materials, directly or through appointment of agent, amounting to ten per cent or more of the turnover of the company as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
  - (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the company, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
  - (iii) leasing of property of any kind amounting to ten percent or more of the turnover of the company, as mentioned in clause (c) of sub-section (1) of section 188;
  - (iv) availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188;

Explanation.—It is hereby clarified that the limits specified in sub-clauses (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

- (b) is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of subsection (1) of section 188; or
- (c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one per cent. of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation.- (1) The Turnover or Net Worth referred in the above sub-rules shall be computed on the basis of the Audited Financial Statement of the preceding financial year.

- (2) In case of a wholly owned subsidiary, the resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between the wholly owned subsidiary and the holding company.

(3) The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars, namely:—

- (a) name of the related party ;
- (b) name of the director or key managerial personnel who is related, if any;
- (c) nature of relationship;
- (d) nature, material terms, monetary value and particulars of the contract or arrangement;
- (e) any other information relevant or important for the members to take a decision on the proposed resolution.

**Process of related party transactions as per regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**

- 1) The listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly:

Provided that a 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 rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

- 1A) Notwithstanding the above, [with effect from July 01, 2019]<sup>112</sup> a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed <sup>113</sup>{five} percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

- 2) 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.

Provided further that:

- a) the audit committee of a listed entity shall define “material modifications” and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions;
- b) 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 consolidated turnover, as per the last audited financial statements of the listed entity;
- c) 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;

- d) prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (d) above, the prior approval of the audit committee of the listed subsidiary shall suffice.

- 3) Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions, namely-

- a) the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;

- b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;

- c) the omnibus approval shall specify:

i. the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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 rupees one crore per transaction.

- d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.

- e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year:

- 4) All material related party transactions and subsequent material modifications as defined by the audit committee under sub-regulation (2) shall require prior 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:

Provided that prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

Provided further that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved;

- 5) The provisions of sub-regulations (2), (3) and (4) 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.

Explanation. - For the purpose of clause (a), "government company(ies)" means Government company as defined in sub-section (45) of section 2 of the Companies Act, 2013.

- 6) The provisions of this regulation shall be applicable to all prospective transactions.
- 7) [Omitted]
- 8) All existing material related party contracts or arrangements entered into prior to the date of notification of these regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these regulations.
- 9) The listed entity shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website:

Provided that a 'high value debt listed entity' shall submit such disclosures along with its standalone financial results for the half year:

Provided further that the listed entity shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results:

Provided further that the listed entity shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.

**SJVN LIMITED**  
**CODE OF CONDUCT**  
**FOR BOARD MEMBERS AND SENIOR MANAGEMENT**

**EXTRACT OF SECTION 2(77) OF THE COMPANIES ACT, 2013.**

Meaning of "**relative**"

“Relative” means, with reference to any person, means anyone who is related to another, if-

- (i) If they are members of a Hindu Undivided Family
- (ii) They are husband and wife or
- (iii) One person is related to the other in such manner as may be prescribed.

**LIST OF RELATIVES AS PER RULE 4 OF THE COMPANIES (SPECIFICATION OF DEFINITION DETAILS) RULES, 2014.**

- 1. Father  
(Provided that the term “Father” includes step-father)
- 2. Mother  
(Provided that the term “Mother” includes the step-mother)
- 3. Son  
(Provided that the term “Son” includes the step-son)
- 4. Son’s wife.
- 5. Daughter.
- 6. Daughter’s husband.
- 7. Brother  
(Provided that the term “Brother” includes the step-brother)
- 8. Sister  
(Provided that the term “Sister” includes the step-sister)

Definition of relative as per clause (zd) of sub-section (1) of section 2 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015:

“relative” means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed there under:

Provided this definition shall not be applicable for the units issued by mutual fund which are listed on a recognised stock exchange(s).

**SCHEDULE IV**

[See section 149(8)]

**CODE FOR INDEPENDENT DIRECTORS**

The Code is a guide to professional conduct for independent directors. Adherence to these standards by independent directors and fulfilment of their responsibilities in a professional and faithful manner will promote confidence of the investment community, particularly minority shareholders, regulators and companies in the institution of independent directors.

**I. Guidelines of professional conduct:**

An independent director shall:

- (1) Uphold ethical standards of integrity and probity;
- (2) act objectively and constructively while exercising his duties;
- (3) exercise his responsibilities in a *bona fide* manner in the interest of the company;
- (4) devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- (5) not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
- (6) not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- (7) refrain from any action that would lead to loss of his independence;
- (8) where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
- (9) assist the company in implementing the best corporate governance practices.

**II. Role and functions:**

The independent directors shall:

- (1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
- (2) bring an objective view in the evaluation of the performance of board and management;\*
- (3) scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- (4) satisfy themselves on the integrity of financial information and that financial control and the systems of risk management are robust and defensible;
- (5) safeguard the interests of all stakeholders, particularly the minority shareholders;
- (6) balance the conflicting interest of the stakeholders;

- (7) determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management;\*
- (8) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

### **III. Duties:**

The independent directors shall—

- (1) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- (2) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
- (3) strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- (4) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- (5) strive to attend the general meetings of the company;
- (6) where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
- (7) keep themselves well informed about the company and the external environment in which it operates;
- (8) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- (9) pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;
- (10) ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
- (11) report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- (12) acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
- (13) not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

### **IV. Manner of appointment:\***

- (1) Appointment process of independent directors shall be independent of the company management; while selecting independent directors the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively.

- (2) The appointment of independent director(s) of the company shall be approved at the meeting of the shareholders.
- (3) The explanatory statement attached to the notice of the meeting for approving the appointment of independent director shall include a statement that in the opinion of the Board, the independent director proposed to be appointed fulfils the conditions specified in the Act and the rules made there under and that the proposed director is independent of the management.
- (4) The appointment of independent directors shall be formalised through a letter of appointment, which shall set out:
  - (a) the term of appointment;
  - (b) the expectation of the Board from the appointed director; the Board-level committee(s) in which the director is expected to serve and its tasks;
  - (c) the fiduciary duties that come with such an appointment along with accompanying liabilities;
  - (d) Provision for Directors and Officers (D and O) insurance, if any;
  - (e) the Code of Business Ethics that the company expects its directors and employees to follow;
  - (f) the list of actions that a director should not do while functioning as such in the company; and
  - (g) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.
- (5) The terms and conditions of appointment of independent directors shall be open for inspection at the registered office of the company by any member during normal business hours.
- (6) The terms and conditions of appointment of independent directors shall also be posted on the company's website.

#### **V. Re-appointment:\***

The re-appointment of independent director shall be on the basis of report of performance evaluation.

#### **VI. Resignation or removal:**

- (1) The resignation or removal of an independent director shall be in the same manner as is provided in sections 168 and 169 of the Act.
- (2) An independent director who resigns or is removed from the Board of the company shall be replaced by a new independent director within three months from the date of such resignation or removal, as the case may be.
- (3) Where the company fulfils the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.

#### **VII. Separate meetings:**

- (1) The independent directors of the company shall hold at least one meeting in a financial year, without the attendance of non-independent directors and members of management;
- (2) All the independent directors of the company shall strive to be present at such meeting;
- (3) The meeting shall:
  - (a) review the performance of non-independent directors and the Board as a whole;\*

- (b) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;\*
- (c) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

**VIII. Evaluation mechanism:\***

- (1) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.
- (2) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

**\*Note:** The provisions of sub-paragraph (2) and (7) of paragraph II, paragraph IV, paragraph V, clauses (a) and (b) of sub-paragraph (3) of paragraph VII and paragraph VIII shall not apply in the case of a Government company as defined under clause (45) of section 2 of the Companies Act, 2013 (18 of 2013), if the requirements in respect of matters specified in these paragraphs are specified by the concerned Ministries or Departments of the Central Government or as the case may be, the State Government and such requirements are complied with by the Government companies.

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