

**POLICY ON DEALING WITH
RELATED PARTY TRANSACTIONS**

IL&FS INVESTMENT MANAGERS LIMITED

(1) **Scope** :

- (a) Clause 49 (VII) (C) of the revised Listing Agreement between Listed Companies and the Stock Exchanges, inter-alia, requires every Listed Company to formulate a Policy on dealing with related party transactions and materiality of related party transactions
- (b) Further Section 188 of the Companies Act, 2013 provides for specific provisions and requirements for related party transactions
- (c) In the backdrop of Clause 49 (VII) (C) of the Revised Listing Agreement and Section 188 of the Companies Act, 2013, this policy is delineated to serve as a guide for dealing with all transactions of the Company with the Related Parties by providing mechanism to identify related parties, to flag material related party transactions, to lay down measures to test arm's length and normal course of business, to document methodology for approval or ratification of the RPTs including any modification thereof as well as establishing certain reporting requirements

(2) **Policy Statement** :

- (a) All related party transactions shall be tested on parameters of "arm's length" and "in ordinary course of business" and the policy parameters shall be pre-approved by the Audit Committee
- (b) The Company has been engaging in certain standard related party transactions which are accruing on regular intervals. The Board of Directors have approved RPT framework which has set parameters for each of such standard related party transaction. Standard RPTs shall be backed with supporting documentation as detailed in the RPT framework when placed before the Audit Committee for its approval
- (c) The Company shall seek prior Audit Committee approval for all related party transactions

- (d) The Company shall seek prior Board and Shareholders approval by special resolution, in addition to prior audit committee approval, for all material related party transactions and all related party transactions which are not on arm's length or which are not in ordinary course of business. The concerned Related Parties shall abstain from voting on such resolutions

(3) **Definitions** :

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| (a) | Related Party | <p>Is/are as defined in Sub Section 76 of Section 2 of the Companies Act, 2013 read with and The Companies (Meetings of the Board and its Powers) Rules, 2014 or under the applicable accounting standards, pursuant to Clause 49 (VII) (B) of the Revised Listing agreement with the Stock Exchanges and revisions which may take place in the said enactments from time to time</p> <p>Reference and reliance may be placed on the clarifications issued by the Ministry of Corporate Affairs & Securities & Exchange Board of India and other authorities from time to time on the interpretation of the term "Related Party"</p> |
| (b) | Relative | <p>In relation to a Related Party is as defined in Section 2(77) of the Act and Companies (Specification of Definitions Details) Rules, 2014 and revisions which may take place in the said enactments from time to time</p> |
| (c) | Interested Director | <p>Means a director who is in any way, whether by himself or through any of his relatives or Firm, Body Corporate or other Association of individuals in which he or any of his relatives is a Partner, Director or a Member, interested in a contract or arrangement, or proposed contract or arrangement, entered into or to be entered into by or on behalf of the Company</p> |

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| (d) | RPT | <p>Pursuant to Section 188 of the Companies Act, 2013 and Clause 49(VII)(A) of the Revised Listing agreement with the Stock Exchanges following contracts or arrangement with a related party shall deem to be related party transaction for the purposes of this policy :</p> <ul style="list-style-type: none"> (i) Sale, purchase or supply of any goods or materials; (ii) Selling or otherwise disposing of, or buying, property of any kind; (iii) Leasing of property of any kind; (iv) Availing or rendering of any services; (v) Appointment of any agent for purchase or sale of goods, material, services or property; (vi) Appointment to any office/place of profit in the Company, its subsidiary or associate Company; (vii) underwriting the subscription of any securities or derivatives thereof, of the Company; (viii) Transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged; (ix) Lending, Borrowing, Investments and divestments <p>A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract</p> |
| (e) | RPT Framework | <p>The RPT Framework recommended by the Audit Committee and approved by the Board of Directors and amendments thereto from time to time which will be also approved by the Board of Directors upon the recommendation of the Audit Committee</p> |

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| (f) | Material Related Party Transaction | For the purposes of this policy the transaction with 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 ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company pursuant to Clause 49(VII) (C) of the Revised Listing Agreement with the Stock Exchanges |
| (g) | Arm’s length Transaction | 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 |
| (h) | Transaction In Ordinary Course Of Business : | The expression “Ordinary course of business” shall cover the usual transactions, common business practices and customs, commercial transactions, activities that fall out of regulatory and covenant obligations, activities essential for ensuring business goodwill, confidentiality and continuity, activities to shield the Company from reputational risk or activities having regard to the timing and purpose thereof are necessary, normal, and incidental to the business of the Company, whether or not the business itself is enlisted in the object clause of the Memorandum of association of the Company. The words “Ordinary course of Business has not been defined under the Companies Act, 2013 or the Listing Agreement |

(4) Interpretation of the Policy :

In this Policy singular expression shall include the plural thereof. This Policy shall be interpreted and administered by or under the direction of the Audit Committee, which shall have the authority to construe, interpret, implement, amend, modify, delegate, review or restate this Policy

(5) **Effective Date** :

- (a) This Policy is effective April 1, 2014
- (b) All proposed RPTs entered into from the Effective Date and till the date of the initial approval of this Policy by the Audit Committee shall be submitted to the Audit Committee for approval and consequently to the Board and/or Shareholders wherever required

(6) **Identification of the Related Parties** :

- (a) Directors, Key Managerial Personnel (KMP) and their Relatives : On an annual basis, the Company Secretary shall request a disclosure from each Director and KMP to obtain appropriate information with respect to the identity of the Related Parties within the meaning of Section 2(76) of the Act. Directors and KMPs would be responsible for promptly notifying the Company Secretary in case of any changes/updates occur in the Related Parties declared by them
- (b) Candidate/s appointed/elected as a Director/KMP : Any individual appointed/elected as a director or KMP shall be responsible to promptly complete and submit to the Company Secretary the Disclosure declaration referred to above
- (c) Updated record of the Individuals and Entities considered as Related Party/ies of the Company : The Company Secretary and Chief Financial Officer shall be jointly responsible to maintain the updated list of Related Parties based on the disclosures received from the Directors and KMPs and other entities covered under the meaning of the Related Party/ies under the Act and the Equity Listing Agreement where applicable

(7) **RPT Framework** :

RPT Framework reviewed by the Audit Committee will be approved by the Board of Directors from time to time and will regulate the RPTs falling within this Policy. The RPT Framework shall outline the parameters to be met and documentation required to justify Ordinary Course of Business and on an Arm's Length for standard RPTs which are typical to the nature of Company's business

(8) Procedure for Approval of RPT :

- (a) Each RPT whether or not captured in the RPT framework shall be assessed and confirmed by the Company Secretary, Chief Financial Officer and Chief Executive Officer on the 'arm's length', 'ordinary course of business' and 'materiality' parameters. All RPTs reviewed and confirmed by the Company Secretary, Chief Financial Officer and Chief Executive Officer shall be referred to the Audit Committee for its approval

- (b) All RPTs shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for RPTs proposed to be entered into by the Company subject to the following conditions :
 - (i) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the Company in respect of transactions which are repetitive in nature

 - (ii) The Audit Committee satisfies itself about the need for such omnibus approval and that such approval is in the interest of the Company

 - (iii) Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction 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 ₹ 1 Crore per transaction

 - (iv) 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

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

- (c) All RPTs placed before the Audit Committee shall be supported by such documentation and reporting as is mandated by the Companies Act, 2013 and listing agreement or any modification therein from time to time
 - (d) If in the opinion of the Audit Committee, the intended RPT is not in the Ordinary Course of Business and/or not on an Arm's Length basis and exceeding the threshold prescribed by Companies Act, 2013 and rules made thereunder or is a material RPT it shall advise the Board of Directors to seek prior approval of the Shareholders of the Company by a Special Resolution for such RPT
 - (e) However, Shareholders approval shall not be required for Material RPTs entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with that of the Company and placed before the shareholders at the general meeting for approval
 - (f) All entities falling under the definition of related parties shall abstain from voting on an RPT proposal, irrespective of whether the entity is a party to the particular transaction or not
- (9) **Role of the Board of Directors and the Audit Committee** :
- (a) The Board of Directors will approve/amend the RPT Framework from time to time for RPTs. The Board of Directors will be responsible to provide overall direction and monitor the RPT regime in the Company from time to time
 - (b) The Audit Committee shall test each RPTs on materiality, arm's length and ordinary course of business. The Audit Committee will be responsible for overall monitoring and supervision of the RPT regime in the Company

(10) Reporting and Review :

(a) Quarterly Reporting :

At each quarterly meeting of the Audit Committee, the Chief Executive Officer, Chief Financial Officer and the Company Secretary shall provide a Report summarising all RPTs, which shall include payments by or to the Company or from Related Parties for the immediately preceding fiscal Quarter of the Company

(b) Review of RPT Policy and Framework :

The Board may from time to time review the RPT Policy and / or the RPT Framework as it may deem fit subject to the applicable provisions of the Act and Clause 49 of Equity Listing Agreement, wherever applicable

(c) Review by the Internal Auditors :

The Annual Internal Audit Program will also include review of the processes followed in connection with the Related Party Policy and Framework on a 100% basis

(11) Disclosure of the RPTs :

(a) RPTs and prescribed details thereof will be disclosed in the Directors' Report in accordance with the provisions of the Act and Rules framed thereunder

(b) The Company shall disclose this policy on its website and a web link thereto shall be provided in the Annual Report

(12) **Explanation** :

For the purposes of this policy all terms which are not explained or defined in this policy shall have the meaning assigned to the subject term under the Companies Act, 2013 and rules made there under and Listing agreement with stock exchanges

(13) **Amendment** :

As the policy is derived from the provisions of Clause 49 (VII) (C) of the Listing Agreement between Listed Companies and the Stock Exchanges and Section 188 of the Companies Act, 2013 and the rules made there under any amendment to the Listing Agreement or Companies Act pertaining to related party transaction shall mandate revision of this policy and the Company reserves its right to amend or modify this Policy accordingly