

## **Infrastructure Leasing & Financial Services Limited**

### **Related Party Transactions Policy and Framework**

(I) **Background** : The Companies Act, 2013 read with the Companies (Meeting of Board and its Powers) Rules, 2014 (the Act) introduced specific provisions relating to Related Party Transactions (RPTs). The Board of Directors of Infrastructure Leasing and Financial Services Ltd (the Board) has adopted the following policy and procedures with regard to Related Party Transactions upon recommendation of the Audit Committee. The Audit Committee will review and may amend this policy from time to time. This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based in terms of applicable laws and regulations applicable on the Company

(II) **Transactions Covered under RPTs** : All transactions with Related Parties as per the list of identified transactions availed from and provided to Related Parties are provided in Annexure-I. The scope used for determining the Related Party Transactions is as per that given in Section 188 (1) of the Companies Act, 2013

In any circumstances, whether provisions of RPT Policy/Framework differ from any existing or newly enacted law, provision, rules, regulations by regulatory authority, the relevant statutory provisions or rules or regulations of regulatory authority will take precedence over the policy until such time it is changed to conform to the said provisions, rules and regulations

(III) **List of Related Parties** : The Related Parties for the Company shall be drawn up based on the relevant provisions of the Companies Act 2013. A list of Related Parties would be periodically updated and the same will be reported to the Audit Committee

(IV) **Definitions** :

(a) **Committee of Directors of the Company (CoD)** : The Committee of Directors for the purpose of the Policy would also include Administrative and other Committees formed by the CoD

- (b) **Ordinary Course of Business (OCB)** : The Act has not provided definition of this term. However, all types of payments, services availed and/or rendered to Related Parties for a period preceding three years or more should be considered as in OCB
  
  - (c) **Arm's Length basis (AL)** : As per provisions of the Act, AL transaction means a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no conflict of interest
  
  - (d) **Exempt RPTs** : RPTs of a Company in the OCB and on AL basis are referred to as "Exempt RPTs". There could be deviations in exempt RPT with Group Companies under the following circumstances :
    - (i) Economic Reasons including Corporate Debt Restructuring, Financial Conditions and other extra-ordinary circumstances
  
    - (ii) Obligations of IL&FS as a Promoter / Joint Venture Partner of a Project and a Consortium Member
  
    - (iii) Regulatory enactments / obligations, if any
  
  - (e) **Non-Exempt RPTs** : RPTs which are not in the OCB and/or not on AL basis are referred to as the "Non-Exempt RPTs"
  
  - (f) **Management** : KMPs and Functional/ Department Heads who form part of the Unified Transaction Framework
- (V) **Parameter For Arms Length** : The parameters for AL be gauged based on any one or more of the following criteria :
- (a) Market Price if readily available and a market exists for the same
  
  - (b) Price charged by the respective Group Company to Unrelated Parties
  
  - (c) Independent Valuations by an empanelled set of Independent Valuers which have been approved by CoD

- (d) Obtaining two or three quotes from Unrelated Parties for similar transactions, subject to availability
- (e) Regulatory and other Obligations including Compliance and Transfer Pricing norms as required under the Provisions of Income Tax Act, 1961

(VI) **RPTs Framework Process** : The process for RPTs would be as follows :

(a) **Exempt RPT** :

- (i) The Committee of Directors (CoD) would review all RPTs on an ongoing basis. The CoD shall confirm that all RPT transactions conform to the framework laid down by the Audit Committee. As a part of internal control and governance framework, all exempt RPTs will be approved by the CoD
- (ii) The Internal Auditors of the Company shall review all RPTs approved by CoD on a periodic basis and report their observations to the Audit Committee

(b) **Non Exempt RPT** : All Non-Exempt RPTs falling outside the framework and not in the OCB and / or not on an AL basis shall be liable for the compliance requirement as prescribed under the Act. The procedure for approval of such Non-Exempt RPTs would be :

- (i) The CoD to put up the RPTs falling outside the RPT Framework to the Audit Committee of the Company (AC) for its review/ approval and further action as may be deemed appropriate by the Committee. RPTs falling outside the framework could be reviewed periodically and be included in the RPT Framework, based on recurrence and significance to the Company, providing adequate justification and documentation for the same wherever necessary
- (ii) AC shall review and evaluate the Non-Exempt RPTs and if the proposed RPT was found to qualify as an Exempt RPT, approve the same or otherwise recommend to the Board for its review and decision, as long as RPTs are within the threshold limits prescribed under the Act

- (iii) In case of Non-Exempt RPTs which fall outside the threshold limit, such RPTs should be taken to the Board for approval. The Board shall recommend these RPTs to the Shareholders for their approvals
- (iv) Pursuant to the Act, the RPTs which are not in Ordinary Course of Business (OCB) and/or which are not on an Arm's Length basis (AL) would need prior approval of the Board and Shareholders of the Company

The material threshold prescribed under the Act for seeking Shareholders Approval if RPT is not in Ordinary Course of Business or Not at Arms Length or Both are as follows:

Nature of Transaction	Transaction value
Sale, purchase or supply of any goods or materials directly or through appointment of agents	Lower of : <ul style="list-style-type: none"> <li>• &gt; 10% of turnover or</li> <li>• Rs 100 crore</li> </ul>
Buying, selling or disposing of property of any kind directly or through appointment of agents	Lower of : <ul style="list-style-type: none"> <li>• &gt; 10% of net worth or</li> <li>• Rs 100 crore</li> </ul>
Leasing of any kind of property	Lower of : <ul style="list-style-type: none"> <li>• &gt; 10% of turnover or</li> <li>• &gt; 10% of net worth or</li> <li>• Rs 100 crore</li> </ul>
Availing or rendering of any services directly or through appointment of agents	Lower of : <ul style="list-style-type: none"> <li>• &gt; 10% of turnover or</li> <li>• Rs 50 crore</li> </ul>
Appointment to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration > Rs 250,000
Remuneration for underwriting the subscription of any securities in or derivatives thereof	> 1% of net worth

**Note :** Turnover/ net worth shall be computed on the basis of audited financial statement of preceding financial year

- (VII) **Disclosure** : Disclosure requirement under provisions of the Act as regards Directors' Report of the Company should be complied with
  
- (VIII) The Management of the Company shall ensure compliance with Related Party Transactions Policy of the Company

**I Transactions with the Group Companies :**

- (1) **Availing of Services from the Group Companies** : The business of the Company is spread across Infrastructure, Financial Services, Social Infrastructure, Education and Technology Sectors. The Company routinely avails /may avail various services including speciality services from Group Companies and/or reimbursement and sharing of expenses with Group Companies in the Ordinary Course of its Business. A list of such services is provided in the table below:

#	Service Provider Company	Type of Services	
(1)	IL&FS Financial Services Limited (IFIN)	(a)	Merchant Banking Services
		(b)	Investment Banking Services
		(c)	Syndication Services
		(d)	Corporate Advisory
		(e)	Project Finance Services
		(f)	Broking Services
		(g)	Underwriting Securities
		(h)	Mergers & Acquisition related Services
		(i)	Corporate Support Services
		(j)	Asset Management
(2)	IL&FS Investment Managers Limited (IIML)	(a)	Private Equity Placements/Sale
		(b)	Advisory on Investment/Divestment Valuation
		(c)	Co-Investment Services
		(d)	Relationship Management Services

#	Service Provider Company	Type of Services	
		(e)	Shareholder and Contract Negotiation Services
(3)	IL&FS Securities Services Limited (ISSL)	(a)	Custody and Depository Services
		(b)	Data Centre Management
		(c)	Knowledge Process Outsourcing
(4)	IL&FS Trust Company Limited (ITCL)	(a)	Trusteeship Services
		(b)	Document Management Services
(5)	IL&FS Portfolio Management Services Limited (IPoMSL)	(a)	Portfolio Management Services
		(b)	Valuation of Company / Portfolio Valuation
		(c)	Advisory and Consultancy Services
(6)	IL&FS Transportation and Networks Limited (ITNL)	(a)	Project Management and Contract Management
			Advisory and / or Consultancy Services
			Deal Origination Services
(7)	IL&FS Energy Development Limited (IEDCL)	(a)	Project Management and Contract Management
		(b)	Advisory and / or Consultancy Services
(8)	IL&FS Maritime Investments Company Limited (IMICL)	(a)	Project Management and Contract Management
		(b)	Advisory and / or Consultancy Services
(9)	IL&FS Environmental Infrastructure Services Limited (IEISL)	(a)	Project Management and Contract Management
		(b)	Advisory and / or Consultancy Services
(10)	IL&FS Township & Urban Assets Limited (ITUAL)	(a)	Project Management and Contract Management
		(b)	Valuation of Real Estate Assets

#	Service Provider Company	Type of Services	
		(c)	Advisory and / or Consultancy Services
(11)	IL&FS Water Limited (IWL)	(a)	Project Management and Contract Management
		(b)	Advisory and / or Consultancy Services
(12)	IIDC Ltd (IIDC)	(a)	Project Management and Contract Management
		(b)	Advisory and / or Consultancy Services
(13)	IL&FS Airport Ltd (IAL)	(a)	Project Management and Contract Management
		(b)	Advisory and / or Consultancy Services
(14)	IL&FS Academy for Applied Development	(a)	Advisory and / or Consultancy Services
(15)	IL&FS Engineering & Construction Company Ltd (IECCL)	(a)	Engineering, Procurement & Construction
		(b)	Advisory and / or Consultancy Services
(16)	Gujarat International Finance Tec City Company Ltd (GIFT)	(a)	Project Management and Contract Management
		(b)	Advisory and / or Consultancy Services
(17)	Tamilnadu Water Investment Company Ltd (TWICL)	(a)	Project Consultancy Services
(18)	IL&FS Education & Technology Services Limited (IETS)	(a)	Education and Training Services
		(b)	CSR Implementation Services
(19)	IL&FS Technologies Limited (ITL)	(a)	End to End Information Technology Services
		(b)	IT Infrastructure Management
		(c)	Advisory and / or Consultancy Services
		(d)	Other Services incidental to the above

- (2) **Framework for rendering services to IL&FS Group Companies** : The Company routinely renders following services to all the Group Companies. In certain cases Fees are charged and in other cases only the cost is recovered, in the Ordinary Course of its Business
- (a) Permitting use of IL&FS Brand
  - (b) Project Advisory Services
  - (c) Renting of Business Premises
  - (d) Deputation of KMPs and Non KMP Personnel of IL&FS across Group Companies and accepting deputation from Group Companies
  - (e) Advisory and support services by various Departments /Division of the Company viz CSR Advisory services by the Social Inclusion Group to Group Companies
  - (f) Other miscellaneous administrative services for Group wide conferences and events etc
  - (g) Membership for TIFC Lounge
- (3) **Other Transactions with Group Companies** : Other Transactions of IL&FS with the Group Companies are as follows:
- (a) Lending to and Borrowing from Related Parties
  - (b) Acquisition of Investments from Related Entities
  - (c) Divestments
  - (d) Providing of Corporate Guarantee (CG) by IL&FS
  - (e) Providing of Bank Guarantee (BG), Letter of Credit (L/C) and Derivative by Banks of out IL&FS approved limit

- II **Related Party Transactions with Directors, Key Managerial Personnel and their Relatives** : The Company enters/may enter into following Related Party Transactions with its Directors and Key Managerial Personnel (KMP). Such transactions are part of the terms of the employment of the Directors and KMPs and included in the Employee Hand Book of the Company which is approved by the Board of Directors of the Company. Such transactions are considered in the Ordinary Course of Business
- (a) Hiring Residential Premises from Related Parties for providing Accommodation to the Directors and Key Managerial Personnel
  - (b) Hiring Residential Premises from Related Parties as Company Guesthouse
  - (c) Purchase and Sale of Fixed Assets from/to Directors and Key Managerial Personnel and their Relatives
  - (d) Usage of Lounge facilities at TIFC, Mumbai by the Directors, KMPs and other senior executives of IL&FS as well as it's group companies