

NIIF Infrastructure Finance Limited (NIIF IFL)
Policy for Related Party Transactions

Policy Owner: Chief Financial Officer

NIIF IFL Policy on Related Party Transactions

1. BACKGROUND

- 1.1 Related party transactions that companies may seek to execute may present potential or actual conflicts of interest, which would be inconsistent with the best interest of the company and its shareholders. The Master Directions (*as defined below*) as well as Section 188 of the Companies Act, 2013 read with the Rules framed thereunder, provide compliance and approval requirements regarding the related party transactions. Considering these requirements, NIIF Infrastructure Finance Limited (“**NIIF IFL**” or “**Company**”) has formulated this Policy for related party transactions (“**Policy**”) to regulate of the Company’s Related Parties, and define a framework for the identification process, the proper approval, conduct, reporting and documentation of its Related Party Transactions.
- 1.2 Accordingly, the Board of directors (“**Board**”) of NIIF IFL shall adopt the following Policy and replace the earlier Policy. This Policy applicable from the date on which it is approved by the Board. The Audit Committee of NIIF IFL shall review this Policy, annually and propose any modifications, based on the changes that may be brought about due to any regulatory amendments or otherwise, to the Board for approval.

2. DEFINITIONS

- (i) **Act** means Companies Act, 2013 and the rules made thereunder, as may be amended from time to time.
- (ii) **Board** means the Board of Directors of the Company.
- (iii) **Audit Committee** or **Committee** means the audit committee constituted by the Board as per provisions of the Act.
- (iv) **Chief Financial Officer** means the person who is appointed by the Company to perform the functions of a chief financial officer under the Act.
- (v) **Company Secretary** means the person who is appointed by the Company to perform the functions of a company secretary under the Act.
- (vi) **Key Managerial Personnel** includes –
- (i) the Chief Executive Officer or the Managing Director or the 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.
- (vii) **Management Team** means the respective functional heads of various departments of the Company (i.e. accounts and finance, legal and compliance, resource, etc.) business heads and any other concerned person who is authorized to enter into a transaction, arrangement, contract or agreement with any party.
- (viii) **Master Directions** means the Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank)
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Directions, 2016, issued by the Reserve Bank of India, as may be amended from time to time.

- (ix) **Material RPT** means any RPT, which individually or taken together with previous transactions during a financial year, exceeds 10% (ten percent) of the annual consolidated turnover of NIIF IFL as per the Company's last audited financial statements.

Provided that, 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 2 % (two) percent of the annual consolidated turnover of the bank as per the last audited financial statements of the bank.

- (x) **Related Party** – Related Party shall mean a person or entity that is related to the company as defined under Section 2(76) of the Companies Act, 2013. Related Party with reference to 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 is a member or director

- (xi) **Related Party Transaction** or **RPT** means any transaction, directly or indirectly with Related Parties, including transactions as specified under clause (a) to (g) of sub- section (1) of Section 188 of the Act.

- (xii) **Relative** means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –

- they are members of the hindu undivided family
- they are husband and wife; or
- Father (including step-father)
- Mother (including step-mother)
- Son (including step-son)
- Son's wife
- Daughter
- Daughter's Husband
- Brother (including step- brother)
- Sister (including step-sister)

- (xiii) **Rule** means the rules of the Companies (Meetings of Board and its Powers) Rules, 2014, as may be amended from time to time.

Any other term not defined herein shall have the same meaning ascribed to it under the Act, the Rules, the Master Directions and any other applicable law or regulation.

3. GUIDING STANDARDS

- 3.1 **Arm's Length Transaction** means a transaction between 2 (two) Related Parties that is

conducted as if they were unrelated, so that there is no conflict of interest.

- 3.2 It is hereby clarified that a transaction with a Related Party will be considered to be an Arm's Length Transaction if the key terms, including pricing of the transaction, taken as a whole, are comparable with those of similar transactions, if they would have been undertaken with unrelated parties.
- 3.3 Factors that may be considered to decide whether an activity is in the **Ordinary Course of Business**, include:
- (i) activities that are undertaken by the Company in its normal day-to-day operations,
 - (ii) usual transactions, customs and practices of the Company that are necessary and incidental to its business,
 - (iii) common practices and customs of commercial transactions,
 - (iv) activity is covered in the Objects clause of the Memorandum of Association,
 - (v) activity is in furtherance of the business,
 - (vi) activity is repetitive/frequent,
 - (vii) the income, if any, earned from such activity/transaction is treated as business income in the company's books of account,
 - (viii) transactions are common in the particular industry,
 - (ix) whether there is any historical practice to conduct such activities,
 - (x) financial scale of the activity with regard to the operations of the business,
 - (xi) revenue generated by the activity, and
 - (xii) resources committed to the activity.
 - (xiii) Whether the activity is normal or otherwise routine for particular business

It is hereby clarified that the abovementioned criteria are not exhaustive and the Audit Committee/Board, under Clause 4.7 below, will have to assess whether each RPT is in the Ordinary Course of Business, considering its specific nature and circumstances.

4. IDENTIFICATION OF RELATED PARTIES

- 4.1 Obligations of Chief Financial Officer:** The Chief Financial Officer of the Company, at the beginning of every financial year, shall provide to the Company Secretary a list of Related Parties of the Company. Compliance with Rule 2(f) of the Income Tax Rules, 1962 shall be adhered to get exemption under Section 10(47) of the Income Tax Act, 1961.
- 4.2 Obligations of directors and KMP:** Each director and KMP of the Company shall disclose to the Company Secretary in form MBP-1, (i) at the time of appointment, (ii) in the beginning of every financial year and (iii) subsequently whenever there is any change in the disclosure so made, about all persons, entities, firms in which he/she is related, whether directly or indirectly within 30 (thirty) days of such change.
- 4.3 Obligations of Company Secretary:**
- (a) The Company Secretary shall determine if common directors have been appointed on the Board and the boards of any companies in which the Company may propose to hold or currently holds equity or debt investments ("**Portfolio Company**"), which may be incorporated as a private limited company. Further, the Company Secretary shall determine if common directors have been appointed on the Board and the boards of any Portfolio Companies, which may be incorporated as a public company, and such common directors hold more than 2% (two percent) of the paid up share capital in such

Portfolio Companies. The Company Secretary shall make a list of such public and private Portfolio Companies.

- (b) The Company Secretary shall engage in discussions with the company secretary of National Infrastructure Investment Fund Limited/ Aseem Infrastructure Finance Limited, periodically to identify any Portfolio Companies that may qualify as Related Parties of the Company.

4.4 The Company Secretary shall compile the information received or collected pursuant to paragraph 4.1 to 4.3 above and forward the same to the Chief Financial Officer, the Board and the Management Team, at the beginning of every financial year, and subsequently whenever there is any change in the information so compiled. The information so compiled shall be updated and revised every quarter by the Company Secretary.

4.5 The Company Secretary shall maintain a database of Related Parties containing the names of individuals and companies identified based on the definition of Related Party and Declarations provided by the Directors, including any revisions therein, and intimate the Management as soon the Company Secretary has been intimated of such changes in Related Party. The list of Related Party shall be updated whenever necessary, shall be reviewed on a timely basis and would be communicated to the functional departments. All sister concerns and subsidiaries of the Company shall be maintained in the database as well.

4.6 Details of the Related Parties needs to be periodically informed by the Company Secretary to the operation and finance teams, to monitor processing of transactions.

4.7 The Management Team shall forward to the Company Secretary and the Chief Financial Officer, the details of any proposed transaction with any Related Party along with the draft terms and conditions and other related information pertaining to the proposed transaction. The Company Secretary shall forward the same to the Audit Committee for determination of whether the proposed transaction is in Ordinary Course of Business and whether it is an Arm's Length Transaction. The Audit Committee may decide whether the proposed transaction is in the Ordinary Course of Business and is an Arm's Length Transaction, and such decision may be based on the factors set out in Clause 3 above. Subsequently the Audit Committee may proceed to approve the proposed RPT as set out in Paragraph 5 below.

4.7.1 Any proposed modification(s) in the RPTs already entered into shall be intimated to the Company Secretary and Chief Financial Officer by the Management Team, which shall be placed by the Company Secretary before the Audit Committee for its prior approval and further action, under paragraph 5 below.

5. Approvals of the Audit Committee

5.1 All RPTs, even if in the Ordinary Course of Business and on Arm's Length Transactions, must be reported to the Audit Committee for its approval.

5.2 Any director having a potential interest in any RPTs will not participate in discussions and voting on the approval of the RPTs.

5.3 Prior Approval of the Audit Committee

- (a) Any RPT (other than transactions as specified under clause (a) to (g) of sub-section (1) of Section 188 of the Act) entered into by the Company with (a) a company of which

NIIF IFL is a wholly owned subsidiary; or (b) NIIF IFL's wholly owned subsidiary, shall not require Audit Committee approval.

- (b) Where the Audit Committee does not approve an RPT other than transactions as specified under clause (a) to (g) of sub-section (1) of Section 188 of the Act, it shall make recommendations to the Board.
- (c) In case any RPT involving any amount not exceeding INR 1,00,00,000 is entered into by a director or officer of NIIF IFL, 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 RPT shall be voidable at the option of the Audit Committee. Further, if the RPT is with the Related Party to any director or is authorized by any other director, the director concerned shall indemnify NIIF IFL against any loss incurred by the Company.
- (d) Any member of the Audit Committee who has potential interest in any Related Party Transaction will reclude themselves and shall abstain from discussion and voting on the approval of Related Party Transaction.

5.4 Omnibus Approval of the Audit Committee

- (a) The Audit Committee may also make omnibus approval for RPTs proposed to be entered into by NIIF IFL subject to conditions specified in Rule 6A.
- (b) The Audit Committee shall, after obtaining approval of the Board of directors, specify the criteria for making the omnibus approval which shall include the following, namely:
 - (i) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year.
 - (ii) the maximum value per transaction which can be allowed.
 - (iii) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval.
 - (iv) review, at such intervals as the Audit Committee may deem fit, RPT entered into by NIIF IFL pursuant to each of the omnibus approval made.
 - (v) transactions which cannot be subject to the omnibus approval by the Audit Committee.
- (c) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:
 - (i) repetitiveness of the transactions (in past or in future);
 - (ii) justification for the need of omnibus approval and that such approval is in the interest of the Company.
- (d) The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of NIIF IFL.
- (e) The omnibus approval shall contain or indicate the following:
 - (i) name of the Related Parties.
 - (ii) nature and duration of the transaction.
 - (iii) maximum amount of transaction that can be entered.

- (iv) the indicative base price or current contracted price and the formula for variation in the price, if any; and
 - (v) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.
- (f) Where the need for RPT cannot be foreseen and aforesaid details are not available, Audit Committee may make omnibus approval for such transactions subject to their value not exceeding INR 1,00,00,000 per transaction.
- (g) The Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered by the Company pursuant to each of the omnibus approvals given.
- (h) Omnibus approval shall be valid for a period not exceeding 1 (one) financial year and shall require fresh approval after the expiry of such financial year.
- (i) Omnibus approval cannot be provided for transactions in respect of selling or disposing of any undertaking of NIIF IFL.

6 APPROVAL OF THE BOARD OF DIRECTORS

- 6.1** Upon approval by the Audit Committee, RPTs as specified under clause (a) to (g) of subsection (1) of Section 188 of the Companies Act, 2013 which, as decided by the Audit Committee, are either not in the Ordinary Course of Business or are not Arm's Length Transactions, shall require prior approval of the Board.
- 6.2** Approval of the Board for RPTs is required to be taken at a Board Meeting and cannot be taken through resolution by way of circulation.
- 6.3** Agenda of the Board meeting at which the resolution for the approval of a RPT 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.
- 6.4** Any director having a potential interest in any RPTs requiring the approval of the Board will not be present (whether physically or through electronic mode), nor participate in discussions and vote on the approval of the RPTs.
- 6.5** In case any RPT involving any amount not exceeding INR 1,00,00,000 is entered into by a director or officer of NIIF IFL, without obtaining the approval of the Board and it is not ratified by the Board within 3 (three) months from the date of the transaction, such RPT shall be voidable at the option of the Board. Further, if the RPT is with the related party to any director or is authorized by any other director, the director concerned shall indemnify NIIF IFL against any loss incurred by the Company.

7. APPROVAL OF SHAREHOLDERS OF NIIF IFL

- 7.1 Upon approval by the Board, under Rule 15(3), Material RPTs, which, as decided by the Audit Committee, are either not in the Ordinary Course of Business or are not Arm's Length Transactions, require approval of shareholders of the Company by way of a resolution.
- 7.2 The explanatory statement to be annexed to the notice of a general meeting convened for the purpose of *inter alia*, approval of the RPT shall contain the following particulars, namely:
- (i) name of the related party.
 - (ii) name of the director or KMP who is related, if any;
 - (iii) nature of relationship.
 - (iv) nature, material terms monetary value and particulars of the contract or arrangement.
 - (v) any other information relevant or important for the shareholders to take a decision on the proposed resolution.
- 7.3 Any RPT entered into by the Company with (a) a company of which NIIF IFL is a wholly owned subsidiary; or (b) NIIF IFL's wholly owned subsidiary, shall not require shareholder approval.
- 7.4 No shareholder of NIIF IFL shall vote on such resolution, to approve any transaction which may be entered into by NIIF IFL, if such shareholder is a Related Party, in the context of the RPT for which the said resolution is being passed.
- 7.5 In case any RPT involving any amount not exceeding INR 1,00,00,000 is entered into by a director or officer of NIIF IFL, without obtaining the approval of the shareholders of NIIF IFL and it is not ratified by the Board within 3 (three) months from the date of the transaction, such RPT shall be voidable at the option of the shareholders of NIIF IFL. Further, if the RPT is with the Related Party to any director or is authorized by any other director, the director concerned shall indemnify NIIF IFL against any loss incurred by the Company.

8. TREATMENT OF RELATED PARTY TRANSACTIONS WHICH DID NOT TAKE PRIOR APPROVAL UNDER THIS POLICY

- 8.1 In the event NIIF IFL becomes aware of an RPT with a Related Party that has not been approved under this Policy prior to its adoption, the matter shall be reviewed by the Audit Committee/ Board and/ or Shareholders as required under applicable law. The Audit Committee shall consider all of the relevant facts and circumstances regarding the RPT, and shall evaluate all options available to NIIF IFL, including ratification, revision or termination of the RPT. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPT to the Committee under this Policy and shall take any such action it deems appropriate. In the event where NIIF IFL is not able to take prior approval from Audit Committee, the Board and/ or shareholders of NIIF IFL, such transactions shall not be deemed to violate such policy, or be invalid or unenforceable, as long as approval is obtained promptly. In any case, where the Audit Committee determines not to ratify an RPT that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of an RPT, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.
- 8.2 All existing Material RPTs entered into prior to the date of adoption of this Policy and which may continue beyond such date, shall be placed for approval of the shareholders of the

Company in the first General Meeting subsequent to adoption of this Policy.

- 8.3** This Policy will be communicated to all operational employees and other concerned persons of NIIF IFL.

9. EVALUATION PROCESS OF RPTs

- 9.1** To approve an RPT, the Audit Committee/ Board/ shareholders, as may be applicable, shall be provided all relevant material information of such transaction, including the terms and such other details as required under the Act, or by the Audit Committee/ Board/ shareholders, as the case may be. While approving an RPT, the Audit Committee/ Board/ shareholders will consider the following factors, among others, to the extent relevant:

- (a) whether the terms on which RPT is proposed are fair to the Company and whether the transaction is an Arm's Length Transaction;
- (b) whether the RPT would affect the independence of an independent director or an independent member;
- (c) whether the RPT includes any potential reputational risk that may arise as a result of or in connection with the proposed transaction; and
- (d) whether the RPT would present conflict of interest for any director or member of a committee or KMP of the Company.

- 9.2** Whenever there is any doubt with regard to transaction(s) with Related Party(ies) and/or the applicable corporate governance requirements, the Audit Committee/ Board/ shareholders shall be entitled to seek a legal opinion/clarification for the same.

- 9.3** In the event any director, KMP or any other employee becomes aware of any RPT(s) that has been omitted to be approved by the Audit Committee/ Board/shareholders or is in deviation of this Policy, such person shall promptly notify the Company Secretary of the Company, of such transaction, who shall ensure that such transaction is brought to the notice of the Audit Committee/ Board/ shareholders, as may be applicable, at the earliest.

- 9.4** The Audit Committee/ Board/ shareholders shall evaluate such transaction(s) and may decide as it considers appropriate, subject to the Act, necessary action to be taken, including ratification, revision or termination of the RPT.

10. REPORTING OF RELATED PARTY TRANSACTIONS

- 10.1** Section 134(3) of the Act read with Rule 8(2) of the Companies (Accounts) Rules, 2014 requires all companies to disclose in the Board's report, particulars of contracts or arrangements with Related Parties in Form AOC-2.

- 10.2** The Board's annual report shall disclose the following RPTs as specified under clause (a) to (g) of sub-section (1) of Section 188 of the Act, in accordance with section 134(3)(h) of the Act:

- (a) RPTs which are not Arm's Length Transactions;
- (b) Material RPTs which are Arm's Length Transactions.
- (c) RPTs which are not in the Ordinary Course of Business and justification for entering into such transactions

- 10.3** The Board shall also make relevant disclosures under the Master Directions/ Companies Act

2013 in the annual report and on the website of the Company.

10.4 As per the Reserve Bank of India guidelines on prudential norms on systematically important non-banking financial company, the Related Parties information shall be stated in Schedule to the Balance Sheet of a non-deposit taking non-banking financial company.

10.5 The auditor's report on the financial statements of the Company, shall include a statement on whether all transactions with Related Parties are in compliance with Sections 177 and 188 of the Act, where applicable, and that the details have been disclosed in the financial statements.

11. ADOPTION & REVIEW OF THE POLICY AND COMPLIANCE

11.1 Upon adoption by the Board, the Policy shall be displayed on the website of the Company. Relevant disclosures relating to the adoption of the Policy shall be made in the Board's annual report as required under the Master Directions/ Companies Act.

11.2 The Audit Committee of the Company shall review this policy from time to time, but at least once in 3 (three) years and may recommend amendments to the same for the approval of the Board.

11.3 The Board shall ensure strict compliance of the Policy, subject to applicable law, including the Act and Rules.

11.4 The Board shall conduct annual sensitization sessions and create awareness among members of the Management Team regarding compliances under the Policy, during its term.