

**NIIF Infrastructure Finance Limited (NIIF IFL)**

**Policy for Related Party Transactions**

Last Reviewed	August 2022
Policy Owner	Chief Financial Officer

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## **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, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“**SEBI Listing Regulations**”), Accounting standards as issued by Institute of Chartered Accountants of India, Income Tax Act, 1961 and the rules made thereunder, and such other statutes as may be put in place, in relation to corporate governance and related party transactions (“**Applicable Law**”), provide compliance and approval requirements regarding the related party transactions.
- 1.2** Considering these requirements, NIIF Infrastructure Finance Limited (“**NIIF IFL**” or “**Company**”) has formulated this Policy for related party transactions (“**Policy**”) to regulate Related Parties and define a framework for the identification process, the proper approval, conduct, reporting and documentation of NIIF IFL’s Related Party Transactions.
- 1.3** This Policy is 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. OBJECTIVE OF THE POLICY**

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company; and (c) lay down the guiding principles and mechanism to ensure proper approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties in the best interest of the NIIF IFL and its stakeholders.

### **3. 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) Directions, 2016, issued by the Reserve Bank of India, as may be amended from time to time.
- (ix) **“Material Related Party Transaction”** shall have the same meaning as given to ‘a transaction with a related party shall be considered material’ under the SEBI Listing Regulations, as may be amended from time to time. i.e. 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 ten percent of the Annual Consolidated Turnover of the Company as per the last audited financial statements of the listed entity or rupees one thousand crore, whichever is lower.

Notwithstanding the above, 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 individually or taken together with previous transactions during a financial year, exceed five percent of the Annual Consolidated Turnover of the Company as per the last audited financial statements of the Company.

- (x) **“Material Modification”** means any modification, either individually or taken together with any previous modification, made in the nature, value/exposure, or other terms and conditions of any on-going or proposed Related Party Transaction, as originally approved by the Audit Committee and/or shareholders, which has the effect of variation in the approved value of the transaction, by 25% or Rs. 50 crore, whichever is higher, or by which the transaction ceases to be in ordinary course and/or on arms’ length or such other parameter as may be determined by the Audit Committee from time to time.

Provided that, a modification mandated pursuant to change in law, or pursuant to and in accordance with the terms of the approved transaction/contract, or resulting from change in constitution of either of the parties pursuant to schemes of arrangement (e.g. merger, amalgamation, demerger, etc.), or is of a nature which is purely technical and does not result in substantive change or alteration of rights, interests, and obligations of any of the parties, or is uniformly affected for similar transactions with unrelated parties shall not be regarded as material modification.

- (xi) **“Related Party”** means a related party as defined under the Applicable Law.
- (xii) **“Related Party Transaction”** means transactions as given under Section 188 of the Act including rules thereof and defined in Regulation 2(1)(zc) of the SEBI Listing Regulations.

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

#### **4. GUIDING STANDARDS**

- 4.1 **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.
- 4.2 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.
- 4.3 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 5 below, will have to assess whether each RPT is in the Ordinary Course of Business, considering its specific nature and circumstances.

#### **5. IDENTIFICATION OF RELATED PARTIES**

- 5.1 **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.
- 5.2 **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.
- 5.3 **Obligations of Company Secretary:** Company Secretary shall prepare a comprehensive list of related parties based on the information received from Director, Key Managerial Personnel

and other persons or entities as identified. Such list shall be circulated to all the persons having authorities to carry out any transactions so that the Policy can be adhered to.

## **6. Approvals of the Audit Committee**

**6.1** All RPTs, and subsequent modifications, shall be subject to prior approval of Audit Committee, even if in the Ordinary Course of Business and on Arm's Length Transactions except as provided in the Applicable laws whether at a meeting of Audit Committee or by way of resolution by circulation. All relevant material information about RPTs as specified under SEBI Listing Regulations and other applicable laws shall be placed before the Audit Committee for its review. The Audit Committee after scrutiny of the information relating to RPTs may either approve or reject the transaction. In terms of SEBI Listing Regulations, only those members of the Audit Committee, who are Independent Directors shall be eligible to approve the RPTs.

**6.2** Any member of the Audit Committee who has a potential interest in Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party transaction.

**6.3** 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 any director or is authorized by any other director, the director concerned shall indemnify NIIF IFL against any loss incurred by the Company.

## **6.4 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 the Act and SEBI Listing Regulations and any other applicable laws.
- (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 Audit Committee may grant omnibus approval in accordance with the provisions of Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 23 (3) of the SEBI Listing Regulations for Related Party Transactions which are of repetitive/regular nature proposed to be entered into.
- (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.

6.5 Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee:

- a) Any transaction that involves the providing of compensation to a Director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- b) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
- c) Transaction(s) as listed below undertaken by an Independent Director with the Company during the year:
  - i) receipt of remuneration by way of sitting fees;
  - ii) reimbursement of expenses for attending board and other meetings;
  - iii) any profit related commission as approved by members.
- d) 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;
- e) 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.

6.6 In connection with any review of a Related Party Transaction, the Audit Committee has

authority to modify or waive any procedural requirements of this Policy, subject to compliance with the Applicable Law.

## **7. APPROVAL OF THE BOARD OF DIRECTORS**

**7.1** The following Related Party Transactions shall be placed before the Board of Directors for approval, after the approval of the Audit Committee:

- i. Related Party Transactions referred by the Audit Committee;
- ii. Related Party Transactions **not** on Arm's Length Basis, and/or;
- iii. Related Party Transactions **not** in the Ordinary Course of Business.

**7.2** 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.

**7.3** Agenda of the Board meeting at which the resolution for the approval of a RPT is proposed to be moved shall disclose the details as required under the applicable laws.

**7.4** 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.

**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 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 any director or is authorized by any other director, the director concerned shall indemnify NIIF IFL against any loss incurred by the Company.

## **8. APPROVAL OF SHAREHOLDERS OF NIIF IFL**

**8.1** All Material RPTs and subsequent material modification, shall require prior approval of the Shareholders of the Company 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. However, this condition shall not apply in case of a resolution plan approved under Section 31 of the Insolvency and Bankruptcy Code, subject to the event being disclosed to the recognised stock exchanges within one day of the resolution plan being approved.

**8.2** All related party transactions other than transactions between the Company and its wholly-owned subsidiary (ies) whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval) in terms of Section 188 of the Companies Act, 2013 which are not in the ordinary course of business and / or are not at 'arm's length' and which cross the threshold limits prescribed under the Companies Act, 2013, shall also require the approval of shareholders of the Company through a resolution. 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.

**8.3** The explanatory statement to be annexed to the notice of a general meeting convened shall contain such particulars as required under the Act and SEBI Listing Regulations.

The approval policy framework is given below:

<b>Audit Committee Approval</b>	<b>Board approval</b>	<b>Shareholders approval</b>
Prior approval of all Related Party Transactions except items mentioned in 6.5	<ul style="list-style-type: none"> <li>• Related Party Transactions referred by Audit Committee for approval of the Board</li> <li>• Related Party Transactions not in the Ordinary Course of Business and not on Arm's Length Basis.</li> </ul>	<ul style="list-style-type: none"> <li>• Approval by Ordinary resolution for               <ul style="list-style-type: none"> <li>a) Material Related Party Transactions</li> <li>b) Related Party Transactions not in Ordinary Course of Business and/or not at Arm's Length Basis and crosses prescribed threshold limit as per Companies Act, 2013.</li> </ul> </li> </ul>

**9. TREATMENT OF RELATED PARTY TRANSCCTIONS WHICH DID NOT TAKE PRIOR APPROVAL UNDER THIS POLICY**

**9.1** 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.

**9.2** 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.

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

**10. EVALUATION PROCESS OF RPTs**

**10.1** 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.

**10.2** 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.

**10.3** 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.

**10.4** 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.

## **11. REPORTING OF RELATED PARTY TRANSACTIONS**

Appropriate disclosures as required under the Act, SEBI Listing Regulations and other applicable laws will be made in the Financial Statements, Board's Report and such other places as may be specified under law.

As prescribed under Regulation 62(1A)(g) of the SEBI Listing Regulations, this Policy shall be hosted on the Company's website at <https://www.niifl.in/>

## **12. ADOPTION & REVIEW OF THE POLICY AND COMPLIANCE**

This Policy shall be reviewed by the Board as and when any changes are to be incorporated in the Policy due to change in applicable law or once a year and updated accordingly based on the recommendations of the Audit Committee.

Provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications, etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s), etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.