



IL&FS Transportation Networks Ltd.

IL&FS TRANSPORTATION NETWORKS LIMITED

RELATED PARTY TRANSACTIONS POLICY

Policy for the Related Party Transactions (RPT)

I. Overview:

IL&FS Transportation Network Limited (“ITNL”) (the “Company”) has established and adopted this Policy for the Related Party Transactions pursuant to the provisions of Section 188 of the Companies Act, 2013 (“the Act”) and Rules framed thereunder and Clause 49 of the Equity Listing Agreement as applicable from 1 October 2014 (“Clause 49”)

This Policy and Procedure Regarding RPTs (“RPT Policy”) describe the process for identifying and approval or ratification of the RPTs including any modification thereof as well as establishing certain reporting requirements

II. Statutory Provisions pertaining to the RPTs :

Statutory provisions with respect to the RPTs are covered in Sections 2 (76), 2(77) and 188 of the Act and Rule 15 of the Companies (Powers of the Board and Meetings) Rules, 2014 and the Clause 49 annexed in **Annexure 1**

The RPT Policy and RPT Framework are prepared to comply with the relevant provisions of the Act and the Clause 49. In the event the provisions of the RPT Policy and RPT Framework are inconsistent with the Act and / or the Clause 49, the provisions of the Act and / or the Clause 49, as amended from time to time as the case may be, will prevail

III. Scope & Applicability:

This Policy applies to all the transactions of the Company, which the company is authorized to undertake as per the Memorandum of Association of the Company as well as the transactions which the Company has been carrying out with the Related Parties including changes if any in related parties from time to time.

IV. Policy Statement:

- (1) In terms of this RPT Policy neither the Company nor its Officers or employees shall enter into any RPT unless such transaction is:
 - a. in the Ordinary Course of Business and on an Arm’s Length Basis; and
 - b. is a non-Material Transaction under the Clause 49; and
 - c. is covered by an omnibus approval / prior approval of the Audit Committee and covered within the “RPT Framework”

- (2) The RPT Policy and RPT Framework will be reviewed, approved and amended from time to time by the Audit Committee and the Board of Directors of the Company
- (3) The Audit Committee may grant omnibus approval valid for 1 year for transactions that are repetitive in nature and based on certain parameters laid down by the audit committee.
- (4) The Board having authorized the Management Committee to implement the RPT Policy and RPT Framework, all RPTs of the Company will be approved by the Management Committee prior to its execution

V. Definitions:

(1)	Related Party	<p>(a) is/are as defined in Section 2 (76) of the Act and the Companies (Specification of Definitions Details) Rules, 2014 and the Clause 49 and any amendment therein from time to time</p> <p>(b) Reference and reliance may be placed on the clarification issued by the Ministry of the Corporate Affairs, Government of India and other Authorities from time to time on the interpretation of the term “Related Party”</p>
(2)	Relative	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 any amendment therein from time to time
(3)	Key Managerial Personnel (KMP)	<p>means</p> <p>(a) the Chief Executive Officer or the Managing Director or the Manager and in their absence the Whole-Time Director;</p> <p>(b) the Company Secretary;</p> <p>(c) the Chief Financial Officer; and</p> <p>(d) any other person appointed as the KMP by the Board of Directors of the Company</p>
(4)	Initiator of RPT	<p>means a person who initiates the RPT</p> <p>The responsibility to consult the RPT Policy and RPT Framework vests with the Initiator</p>
(5)	Omnibus Approval(s)	is the approval granted by Audit Committee to enter into RPT which are repetitive in nature based on the

		defined parameters specified in Clause 49 and which approval is valid for a period not exceeding 1 year and which requires fresh approval after the expiry of 1 year
(6)	RPT Framework	is the RPT Framework approved by the Audit Committee and Board of Directors and any amendments thereto from time to time
(7)	Exempt RPT	is a RPT which is in the ordinary course of business and at arm's length and is a non-material RPT as per Materiality Threshold or falling under Omnibus Approvals / prior approval of the Audit Committee or covered by the RPT Framework and RPT Policy.
(8)	Non Exempt RPT	is a RPT : <ul style="list-style-type: none"> - Falling outside any Omnibus Approval / prior approval of the Audit Committee or the RPT Framework and/or - Which are not in the Ordinary Course of Business and / or not on an Arm's Length basis and / or - Which exceed the Materiality Threshold
(9)	Board of Directors or Board	means the collective body of the Directors of the Company
(10)	Audit Committee	means the Audit Committee constituted by the Board of Directors of the Company in accordance with Section 177 of the Act and the Clause 49
(11)	Management Committee	means the Management Committee of the Company constituted or reconstituted from time to time
(12)	Chief Executive Officer (CEO)	means a person appointed as the Chief Executive Officer of the Company
(13)	Chief Financial Officer (CFO)	means a person appointed as the Chief Financial Officer of the Company
(14)	Company Secretary (CS)	means a Company Secretary as defined in clause (c) of sub-section (1) of section 2 of the Company Secretaries Act, 1980 who is appointed by the

		Company to perform the functions of a Company Secretary under the Act
(15)	Managing Director	means Managing Director as defined in Section 2(54) of Companies Act, 2013
(16)	Whole-time Director	means Managing Director as defined in Section 2(94) of Companies Act, 2013
(17)	Competent Authority	Management Committee , Audit Committee, Board of Directors, Shareholders are jointly and/or severally referred to as the Competent Authority
(18)	Materiality Threshold	Any individual transaction or aggregate of them with a related party in a financial year exceeding the limit for materiality laid down under Clause 49 or such amount as may be approved by the shareholders in the manner provided in the applicable law

VI. 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.

VII. Effective Date:

- (1) This Policy is effective April 01, 2014 (Effective Date)
- (2) All RPTs entered into from the Effective Date and till the date of the approval of this Policy, shall be placed before the Audit Committee for review and further actions / approvals, if any
- (3) All subsequent amendments to RPT Policy shall be effective from the date of approval thereof by the Audit Committee and Board or such other date as may be specified

VIII. Identification of the Related Parties:

- (1) On an annual basis, the CS shall request a disclosure from each Director and each KMP and other Related Parties within the meaning of Section 2(76) of the Act and Clause 49 in the prescribed format

- (2) Directors and KMPs would be responsible for promptly notifying the CS in case of any changes / updates occurring in the Related Parties and in respect of details pertaining to such related parties declared by them
- (3) Any individual appointed/elected as a director or KMP shall be responsible to promptly complete and submit to the CS, the Disclosure declaration referred in VIII (1) above
- (4) The CS shall be responsible to maintain the updated list of Related Parties based on the disclosures received from Directors / KMPs
- (5) At every Audit Committee meeting, the updated list of Related Parties shall be placed so that members of the Audit Committee are made aware of changes therein.

IX. RPTs with Wholly Owned Subsidiaries:

- (1) Where a shareholders' approval is required for entering into a RPT with a Wholly Owned Subsidiary (WOS) of the Company, the Special Resolution passed by the Shareholders of the Company in its General Meeting shall be sufficient for the purpose of entering into such transactions
- (2) Such Special Resolution passed by the Company should be noted by the Board of Directors of the WOS

X. RPT Framework:

- (1) The Audit Committee will review and recommend the RPT Framework for approval of the Board. The Board of Directors of the Company will approve the RPT Framework and delegate the implementation of the same to the Audit Committee which will regulate the RPTs falling within this Policy and such RPTs, being non-material RPTs, will be approved by the Management Committee in accordance with the RPT Policy and RPT Framework.
- (2) All the RPTs of the Company will be subjected to evaluation and assessment procedure prescribed herein

XI. Omnibus Approval:

- (1) In addition to executing RPT as per RPT Policy and RPT Framework, the Company may seek omnibus approval of the Audit Committee for the proposed RPT, if need arises, in compliance with conditions laid down in Clause 49 as amended from time to time. For such Omnibus Approval, following conditions shall be fulfilled:
 - a. The Audit Committee shall lay down the criteria for granting omnibus approval in line with the policy on RPTs of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;
 - b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
 - c. Such omnibus approval shall specify the following:
 - Name(s) of the Related Party;
 - Nature of the transaction;
 - Period of transaction;
 - Maximum amount of transaction that can be entered into;
 - The indicative base price / current contracted price and the formula for variation in the price, if any, and;
 - Such other conditions as the Audit Committee may deem fit.
- (2) In cases where the need for RPTs cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees One Crore per transaction
- (3) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year. However, the Committee shall review, on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given

XII. Notification, Approval, Rejection of a RPT:

(1)	Notification of RPT	<p>(a) No RPT shall be executed by the Company unless such RPT is covered within the scope of the RPT Framework and approved by the Management Committee and / or such other Competent Authorities</p> <p>(b) If the proposed transaction is not approved by Management Committee, such RPT shall be proceeded with only after approval from the Audit Committee, and / or Board of Directors and / or the Shareholders of the Company as applicable</p>
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(2)	Initiators' Responsibilities	Initiators seeking approval of RPT shall comment/ provide :
		<p>(a) Whether the proposed Transaction is a RPT within the meaning of Section 188 and / or Clause 49</p> <p>(b) <u>If yes:</u> Name/s of the Related Party(ies) and nature of relationship</p> <p>(c) Provide the justification for entering into the RPT (Commercial / Ordinary Course of Business and Arm's Length and materiality as per the Clause 49)</p>
(3)	Preliminary Assessment of RPTs	<p>(a) If in the opinion of any of the members of Management Committee the intended transaction is not an Exempt RPT, such transaction will be referred back to the Initiator seeking additional information / justification</p> <p>(b) Management Committee shall review each transaction initiated by the Initiators, including re-submissions and if the members of Management Committee are unanimous in their view that proposed RPT is an Exempt RPT and meets the criteria specified in the RPT Framework, they may approve the same</p> <p>(c) If in the unanimous opinion of the members of Management Committee, the intended transaction is not an Exempt RPT, such transaction may be rejected or be referred to the Audit Committee for review</p> <p>(d) The members of Management Committee may at their discretion recommend the RPT for approval of Audit Committee, Board of Directors or Shareholders as the case may be</p> <p>(e) The Initiator, and Management Committee shall be required to respond to RPT approval requests within an agreed time frame to be specified by the Audit Committee from time to time</p>

XIII. Procedure for Approval of the Non Exempt RPT:

- (1) The Management Committee will refer all non-exempt RPT to the Audit Committee for review and further action as deemed appropriate
- (2) The Audit Committee will review and assess the Non Exempt RPT and approve the same or otherwise recommend to the Board of Directors for its review and decision

XIV. Ratification of the RPT:

- (1) RPTs that may have been entered into without the appropriate approval of the Competent Authority may be ratified by respective Competent Authority within three months from the date of the execution of such RPT
- (2) If such RPTs are not ratified by the Competent Authority, such transaction may be *voidable* at the option of the Company

XV. Reporting and Review:

(1) Quarterly Reporting:

At each quarterly Meeting of the Audit Committee, the Managing Director, the Whole-time Director, CFO and CS shall jointly provide a Report summarizing all RPTs (exempt/non-exempt) approved by the Competent Authority in accordance with the RPT Policy and the RPT Framework

(2) Review of RPT Policy and Framework:

The Audit Committee and 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, wherever applicable

XVI. Competent Authority for disciplinary action:

The Audit Committee of the Company, subject to supervision of the Board, shall be the Competent Authority for investigating and taking appropriate disciplinary action for any breach and / or defaults in complying with this Policy. Such disciplinary action shall be in addition to the penal provisions of the Act

XVII. Compliance with the RPT Policy:

- (1) Every person associated with RPT shall be accountable for complying with this RPT Policy and RPT Framework

- (2) Director or KMP or any other employee, who had entered into or authorised the contract or arrangement in violation of the RPT Policy and RPT Framework shall be guilty of non-compliance
- (3) In case of breach of this Policy, Audit Committee and/ or Board of Directors may initiate appropriate action against the person/s responsible
- (4) A person shall not be eligible for appointment as a Director of a Company if he has been convicted of the offence under Section 188 of the Act in respect of RPT at any time during the preceding five years

XVIII. Disclosure of the RPTs:

RPTs and prescribed details thereof will be disclosed in the Directors' Report in accordance with the provisions of the Act and Rules framed thereunder. The Company shall also make necessary disclosures required under Clause 49

XIX. Governing Law and Amendments:

The RPT Policy along with RPT Framework will be governed by the relevant provisions of the Act and Rules framed thereunder, the Clause 49 and amendments thereto from time to time. This RPT Policy and the RPT Framework may be reviewed and/or amended at any time and/or subject to the revisions on the applicable laws, regulations and amendment thereto from time to time and/or the actions taken by the Audit Committee or the Board of Directors of the Company

Statutory provisions governing RPTs of ITNL

Related Parties pursuant to Section 2(76) of the Act

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 Relative is a member or a Director;
- (v) a Public Company in which a Director or Manager is a member or 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 Holding, Subsidiary or an Associate Company of such Company; or
 - a Subsidiary of a Holding Company to which it is also a Subsidiary;
- (ix) such other person as may be prescribed (Currently the prescribed persons include Director other than Independent Director, KMP of the Holding Company and his relatives);

Related Parties pursuant to Clause 49 of Equity Listing Agreement

For the purpose of Clause 49 (VII), an entity shall be considered as related to the company if:

- (i) such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) such entity is a related party under the applicable accounting standards.

Relatives pursuant to Section 2(77) of the Act

Following persons are considered Relatives for the purpose of Act:

- (1) Spouse
- (2) Members of Hindu Undivided Family
- (3) A person shall be deemed to be the relative of another, if he or she is related to another in the following manner:
 - (a) Father:
Provided that the term “Father” includes step-father
 - (b) Mother:
Provided that the term “Mother” includes the step-mother
 - (c) Son:
Provided that the term “Son” includes the step-son
 - (a) Son’s wife
 - (b) Daughter
 - (c) Daughter’s husband
 - (d) Brother:
Provided that the term “Brother” includes the step-brother;
 - (e) Sister:
Provided that the term “Sister” includes the step-sister.

Extract of Section 188 of the Companies Act, 2013

“Related Party Transaction

Section 188:

- (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 special resolution:

Provided further that no member of the company shall vote on such special 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 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.

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 special 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 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 punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both; and
 - (ii) in case of any other company, be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees”