



IL&FS Transportation Networks Ltd.

IL&FS TRANSPORTATION NETWORKS LIMITED

RELATED PARTY TRANSACTIONS POLICY

Policy and Procedures for the Related Party Transactions (RPT)

I Overview:

IL&FS Transportation Networks 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 Regulation 23 of the SEBI (LODR) Regulations, 2015 (“the Regulations”) as applicable from December 01, 2015

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 Regulations 2(zc) & 23 of the SEBI (LODR) Regulations, 2015 annexed as **Annexure 1**

The RPT Policy and Framework have been adopted to comply with the relevant provisions of the Act and the Regulations. In the event the provisions of the RPT Policy and Framework are inconsistent with the Act and / or the Regulations, the provisions of the Act and / or the Regulations, , as amended from time to time as the case may be, will prevail. In case of a conflict between the Act and the Regulations, the stricter of the two provisions shall apply

III Scope & Applicability:

This Policy applies to all the transactions of the Company with the Related Parties including changes if any in related parties from time to time. The Related Party Transactions of the Company as envisaged under the Act and the Regulations are summarised in **Annexure II**

IV Policy Statement:

- (1) In terms of 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;
 - b. is a non-Material Transaction under the Regulations; and
 - c. is a RPT covered within the “RPT Framework”

- (2) The RPT Policy and Framework will be reviewed and amended from time to time by the Audit Committee and the Board of Directors
- (3) The Management Committee shall implement the RPT Policy and Framework and shall approve all the RPTs 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 Regulation 2(zc) of the regulations. as amended from time to time. As per the Regulations, a related party means a related as defined under Section 2(76) of the Act or under the applicable accounting standards.</p> <p>(b) Reference and reliance may be placed on the clarification to be issued from time to time by the Ministry of the Corporate Affairs, Government of India, SEBI, Sock Exchanges and such other Authorities 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 amendments 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 Framework vests with the Initiator</p>
(5)	Omnibus Approval(s)	Is the approval granted by the Audit Committee/ to enter into RPT which are repetitive in nature based on the defined parameters specified in the Act as well as the Regulations,

(6)	RPT Framework	is the RPT Framework approved by the Audit Committee on August 12, 2014 and Board of Directors on August 13, 2014 and any amendments thereto from time to time
(7)	Exempt RPT	is a RPT covered by the RPT Framework and Policy. RPTs fulfilling the parameters specified in the RPT Framework shall be deemed to be in the Ordinary Course of Business and on an Arm's Length basis
(8)	Non Exempt RPT	<p>is a RPT :</p> <ul style="list-style-type: none"> - Falling outside the scope of 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 as per the Regulations. <p>will be considered as the Non-Exempt RPT and such Non-Exempt RPT shall be liable for the compliance requirement prescribed under this Policy</p>
(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 Regulations.
(11)	Management Committee	means the Management Committee of the Company constituted or reconstituted from time to time comprising of the Senior Management Personnel which shall include the (i) Managing Director, (ii) Executive Director, (iii) Chief Financial Officer and (iv) Company Secretary
(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, Committee of Directors, Audit Committee, Board of Directors, Shareholders are jointly and/or severally referred to as the Competent Authority

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

VIII Identification of the Related Parties:

- (1) On an annual basis, the CS shall request a disclosure from each Director and KMP and other Related Parties within the meaning of Section 2(76) of the Act, the applicable accounting standards and the Regulations 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 required as per the provisions of the Companies Act, 2013

- (4) The CS shall be responsible to maintain the updated list of Related Parties based on the disclosures received from Directors / KMPs

IX RPTs with Wholly Owned Subsidiaries:

As per the Companies (Amendment) Act, 2015 which received the assent from the President of India on 25 May, 2015, and Regulation 23(5)(b) of the Regulations, any RPT with a Wholly Owned Subsidiary are exempt from the prior approval of the Audit Committee, Omnibus approval and also from the approval of the shareholders. Hence this framework shall not be applicable to RPTs with wholly owned subsidiaries.

X. Shareholders' Approval:

The Shareholders vide Special Resolution passed at the Annual General Meeting held on August 26, 2015, have given their consent to the Audit Committee and/ Board of Directors to exercise the powers to approve, enter into, execute and implement transactions / contracts / arrangements of an aggregate value not exceeding ₹ 10,000 Crores per annum of the nature specified in the Resolution with each Related Party existing on that day or with any other entity which may come into existence in the future and may be regarded as a Related Party as defined under the Companies Act, 2013 and the Regulations of the Equity Listing Agreement

X RPT Framework:

- (1) The Audit Committee and 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) The transactions with Related Parties falling within the said Framework would be considered / deemed to be in the Ordinary Course of Business and on an Arm's Length basis and would be considered as Exempt Transactions under Section 188 of the Act.
- (3) The Board of Directors of the Company in its discretion may seek approval of the Shareholders of the Company for the RPT Policy and / or RPT Framework
- (4) All the RPTs of the Company will be subject to an extensive evaluation and assessment procedure prescribed herein

XI. Omnibus Approval:

- (1) In addition to executing RPT as per RPT Policy and 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 the Act and the Regulations 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 financial year and shall require fresh approvals after the expiry of the financial 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. As per the Shareholders' Resolution passed by Special Resolution at the Annual General Meeting dated August 26, 2015, the members have given their consent to the Audit Committee and/ or Board of Directors as the case may be to exercise the powers in accordance with the provisions of the extent applicable laws to approve, enter into, execute and implement transactions / contracts / arrangements of an aggregate value not exceeding ₹ 10,000 Crore per annum of the nature specified in the Resolution with each Related Party existing on that day or with any other entity which may come into existence in the future and may be regarded as a Related Party as defined under the Companies Act, 2013 and

Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements)
Regulations 2015

XIII. 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>
(2)	Initiators' Responsibilities	<p>Initiators seeking approval of RPT shall comment/provide :</p> <p>(a) Whether the proposed Transaction is a RPT within the meaning of Section 188</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 either not an Exempt RPT or does not meet the criteria specified in RPT Framework or does not comply with materiality norm as per the Regulations, 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</p>

		<p>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>
(4)	Approval of the RPTs not covered by the RPT Framework	The Management Committee shall not approve transactions that are not covered by the RPT Policy and RPT Framework. Such transactions will be referred to Audit Committee

XIV. 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 if the RPT is found to qualify as an Exempt RPT, shall approve the same or otherwise recommend to the Board of Directors for its review and decision

XV. 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

XVI. Reporting and Review:

(1) Quarterly Reporting:

At each quarterly Meeting of the Audit Committee, the Management shall provide a comprehensive Report summarizing all RPTs, for the immediately preceding fiscal Quarter of the Company including all RPTs (exempt/non-exempt) approved by the Competent Authority in accordance with the RPT Policy and Framework

(2) Review of RPT Policy and Framework:

The Audit Committee and 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 Regulation 23, wherever applicable

XVII. Competent Authority for disciplinary action:

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

XVIII. Compliance with the RPT Policy:

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

XIX. Disclosure of the RPTs:

RPTs and prescribed details thereof shall 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 the Regulations

XX. 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 and the Regulations, as amended from time to time. This RPT Policy and the RPT Framework may be reviewed and/or amended at any time by the Audit Committee or the Board of Directors of the Company to comply with the applicable laws, regulations and amendment thereto.

Related Parties pursuant to Regulation 2(zc) of the SEBI (LODR) Regulations, 2015

As per Regulation 2(zc) of the SEBI (LODR) Regulations, a Related Party means a related party as defined under sub-section (76) of Section 2 of the Companies Act, 2013 or under the applicable accounting standards.

As per Companies Act, 2013, a related party shall be:

- a director or his relative
- a KMP or his relative
- a firm in which a director, manager or his relative is a partner
- a private company in which a director or manager or his relative is a member or a director
- a public company in which a director or manager is a director and holds along with his relatives more than 2% of its paid-up share capital
- 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 a manager
- any person on whose advice, directions or instructions a director or manager is accustomed to act
- any company which is a
 - a holding, subsidiary or an association company of such company or
 - a subsidiary of a holding company to which it is also a subsidiary
- such other person as may be prescribed. Rule 3 of the Companies (Specification of Definition Details) Rules, 2014 provides that a director or a KMP of the holding company or his relative with reference to a company shall be deemed to be a related party.

Section 2(77) of the Companies Act, 2013 defines a relative as “any one is related to another if

- they are members of a Hindu Undivided Family
- they are husband and wife or
- one person is related to the other in such manner as may be prescribed.
- Rule 4 of the Companies (Specification of Definition Details) Rules, 2014 provides a person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely
 - Father, provided that the term “Father” includes step-father
 - Mother, provided the term “Mother” includes step- mother
 - Son, provided the term son includes step-son
 - Son’s wife
 - Daughter
 - Daughter’s husband

- Brother, provided the term “brother” includes step-brother
- Sister, provided the term “sister “ includes step-sister

The relevant accounting standards that is applicable to the company is Indian Accounting Standards (IndAS) 24, as per which a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’) would be:

- (a) A person or a close member of that person’s family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity

- (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

As per FAQ2 given by SEBI under the SEBI (LODR) Regulations, 2015, the definition of related party should be viewed both under the Companies Act, 2013 as well as the Accounting Standards. If the condition is met under either of the two, then such a party would be classified as a related party.

Annexure II

Permitted Related Party Transactions by ITNL

(1)	Sale, purchase or supply of any goods or materials
(2)	Selling or otherwise disposing of, or buying, property of any kind
(3)	Leasing of property of any kind
(4)	Availing or rendering of any services
(5)	Appointment of any agents for purchase or sale of goods, materials, services or property
(6)	Related party's appointment to any office or place of profit in the company, its subsidiary company or associate company
(7)	Underwriting the subscription of any securities or derivatives of the Company
(8)	Transactions with the Directors and persons connected with them for consideration other than cash
(9)	Such other transactions as may be prescribed by the Act or Rules issued thereunder from time to time
(10)	A related party transaction is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.