

## POLICY ON RELATED PARTY TRANSACTIONS

The policy on related party transaction (“Policy”) is applicable to following entities:

<b>Sr. No.</b>	<b>Name of the Company</b>
1.	L&T Finance Limited
2.	L&T Infrastructure Finance Company Limited
3.	L&T Infra Debt Fund Limited
4.	L&T Housing Finance Limited
5.	L&T Mutual Fund Trustee Limited

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## VERSION CONTROL

<b>Version</b>	<b>Date of adoption</b>	<b>Change Reference</b>	<b>Owner</b>	<b>Approving Authority</b>
1.	July / October 2014	-	Accounts & Secretarial	Board of Directors
2.	October 2017	Review and consolidation in to one policy across LTFS.	Accounts & Secretarial	Board of Directors
3.	October 2018	Annual review and updation of regulatory provisions.	Accounts & Secretarial	Board of Directors
4.	October 2019	Annual review and updation basis regulatory provisions and guidance note issued by ICSI.	Accounts & Secretarial	Board of Directors

*\* Approved by the Board of Directors of respective entities in the month of July 2014, except for L&T Mutual Fund Trustee Limited where the Policy was adopted in October 2014.*

## **1. BACKGROUND AND PURPOSE:**

The Companies Act, 2013 prescribes the limits and states the approval mechanism with respect to transactions with related party.

In view of the aforesaid, the Policy which lays down the mechanism to deal with transactions with related party has been adopted.

The Policy is in compliance with the requirements of the Companies Act, 2013 (“the Act”) and other applicable laws.

## **2. DEFINITIONS:**

- a) “Arms length transactions” means transaction between two related parties that are conducted as if they were unrelated, so that there is no conflict of interest.
- b) “Material Related Party Transactions” would mean related party transactions as defined under for contracts or arrangements given under Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 as amended from time to time, requiring approval from shareholders.
- c) “Related Party” is a party as defined in sub-clause (76) of sections 2 of the Act.
- d) “Related Party Transactions” or “RPTs” means transactions as given under Section 188 of the Act including rules thereof.

## **3. TERMS OF THE POLICY:**

All RPTs must be referred to the Audit Committee of the Company for approval, irrespective of its materiality. The Audit Committee shall also approve any subsequent modification in the RPTs. The onus will be on the Corporate Accounts Team to refer the RPTs or potential RPTs to the Audit Committee. The Audit Committee shall consider the following while approving an RPT–

- a) Nature of relationship with the related party;
- b) Nature, material terms, monetary values and particulars of the contract or arrangement;
- c) Method and manner of determining the pricing and other commercial terms;
- d) Whether the transaction is at arm’s length; and
- e) Any other information relevant or important for the Audit Committee / Board to take a decision on the proposed transaction.

Audit Committee may also grant omnibus approval for RPTs proposed to be entered into by the Company subject to fulfillment of the following conditions:

- a) The Audit Committee shall lay down the criteria for granting the omnibus approval and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b) The Audit Committee shall satisfy itself about the need for such omnibus approval and that such approval is in the interest of the Company.
- c) Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit;

Provided that where the need for RPTs cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

- d) Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.

When any transaction for an amount not exceeding one crore rupees is entered by Director or officer of the Company without obtaining the approval of the Audit Committee, it has to be ratified by the Audit Committee within 3 (three) months from the date of the transaction. If the transaction is with the related party to any Director or is authorised by any other Director, the Director concerned shall indemnify the Company against any loss incurred by it.

Though the transactions entered into with fellow subsidiaries and associates ("S&A") may be RPTs, they would be generally in the ordinary course of business itself and it would be ensured that the transactions would be at arm's length.

#### **4. APPROVAL OF TRANSACTIONS:**

##### **a) AUDIT COMMITTEE**

All RPTs irrespective of whether they are in the ordinary course of business or at an arm's length basis will require approval of Audit Committee.

##### **b) BOARD:**

Generally all RPTs would be in the ordinary course of business and at arm's length price.

RPTs which are not at arm's length and which are not in the ordinary course of business would be approved by the Board.

Where any director is interested in any contract or arrangement with a related party, such

director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

**c) SHAREHOLDERS:**

All Material RPTs would require prior approval of the shareholders, based on recommendation of the Board, through ordinary resolution passed at the general meeting.

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 ordinary resolution in the general meeting, it has to be ratified by the Board or by the shareholders at a meeting, as the case may be, within 3 (three) months from the date on which such contract or arrangement was entered into.

Where any member is interested in any contract or arrangement with a related party, such member shall not vote to approve on the subject matter of the resolution relating to such contract or arrangement.

**5. RELATED PARTY TRANSACTIONS THAT SHALL NOT REQUIRE APPROVAL:**

Following Related Party Transactions shall not require any separate approval under this Policy:

- a. Any transaction pertaining to appointment and remuneration of Directors and KMPs that require approval of the Nomination and Remuneration Committee of the Company and the Board;
- b. Transactions that have been approved by the Board and Audit Committee under the provisions of the Companies Act, 2013 e.g. inter-corporate deposits, borrowings, investments etc. with or in wholly owned subsidiaries or other Related Parties;
- c. Payment of Dividend;
- d. Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off etc. which are approved by the Board and carried out in accordance with the specific provisions of the Companies Act, 2013 or the Listing Regulations, 2015;
- e. Contribution towards Corporate Social Responsibility (CSR) within the overall limits approved by the Board that require approval of the CSR Committee.

**6. DISCLOSURE:**

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

## **7. REVIEW / REVISION OF POLICY:**

If at any point a conflict of interpretation / information between the Policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities (“Regulatory Provisions”) arises, then interpretation of the Regulatory Provisions shall prevail.

In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the Policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions. The Board and/or its Committee reserve(s) the right to alter, modify, add, delete or amend any of the provisions of the Policy.