



**POLICY ON RELATED PARTY TRANSACTIONS**

**IIFL WEALTH MANAGEMENT LIMITED**

## RELATED PARTY TRANSACTION POLICY

### IIFL WEALTH MANAGEMENT LIMITED AND IT'S SUBSIDIARIES

#### I. Objective:

To ensure that all transactions with the related parties are properly identified, reviewed and approved pursuant to the applicable law. This policy applies to any transaction where the Company is a participant, and the Related Party has or will have a direct or indirect material interest in the transaction. This Policy may be amended at any time and is subject to further guidance from the Audit Committee/Board of Directors.

#### II. Guiding Act/Regulations/Rules:

- a) The Companies Act, 2013 and rules made there under (with amendments or enactments thereof).
- b) SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015 (“SEBI (LODR)”) (with amendments or enactments thereof).
- c) Accounting Standard - 18 (with amendments or enactments thereof).

As per the applicability, the listed company/s (equity listed company) will be required to comply with (a), (b) & (c). As for unlisted companies, it will be required to comply with (a) and (c).

#### Definitions:

- (i) “**Audit Committee**” or “**Committee**” means Committee of the Board of Directors of the Company constituted under the provisions of the SEBI (LODR) and / or the Companies Act, 2013 (with any amendments or enactments thereof).
- (ii) “**Board**” means the Board of Directors of the Company.
- (iii) “**Control**” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- (iv) “**Key Managerial Personnel**” means key managerial personnel as defined under the Companies Act, 2013.
- (v) “**Material Related Party Transaction**” means a transaction with a related party if the transaction / transactions 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 Company. 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 into individually or taken together with previous transactions during a financial year, exceed two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.’
- (vi) “**Policy**” means the Policy on Related Party Transactions.

- (vii) “**Related Party**” and ‘**Relative**’ has the same meaning as described in SEBI (LODR) and the Companies Act, 2013, which is defined as follows:

Pursuant to Section 2(76) of the Companies Act, 2013 a “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 is a member or director;
- (v) a public company in which a director or manager is a director or 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) a holding, subsidiary or an associate company of such company; or
  - (B) a subsidiary of a holding company to which it is also a subsidiary;
  - (C) an investing company or the venturer of the Company;”;
- Explanation —For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the Company would result in the Company becoming an associate company of the body corporate.

(ix) such other person as may be prescribed;

As per Rule 3 of the Companies (Specification of definitions details) Rules, 2014,

“related party” - For the purposes of sub-clause (ix) of clause (76) of section 2 of the Companies Act, 2013, a director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.

Pursuant to SEBI (LODR), a ‘related party’ is a person or entity an entity shall be considered as related to the Company if:

“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:

Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

**Related Party Transactions (RPT)**

a. As per SEBI (LODR), a related party transaction is a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged and a transaction with a related party shall be construed to include single transaction or a group of transactions in a contract.

Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s).

b. As per Section 188 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014, the following transactions will be considered as “Related Party Transactions;

- 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:

**III. COMPLIANCES/APPROVALS/PROCESSES WITH RESPECT TO RELATED PARTY TRANSACTIONS**

In compliance and as provided in Section 188 of the Companies Act, 2013 and the Listing agreement, the following process is put in place:

**A. Approval of the Board/ Audit Committee:**

- a. All proposed related party transactions / arrangements or any modifications thereof, with the details of related party, nature of transaction, reason for undertaking the transaction, confirmation on arm's length & in the ordinary course of business, duration of the transaction will be placed before the Audit Committee for prior approval.

All Related Party Transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- The Audit Committee lays down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature;
- while granting omnibus approval, the Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;

- 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 Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding INR 1 Crore per transaction.
- The Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given;
  - Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- b. Related Party Transactions as defined under section 188 of the Companies Act, 2013, which are not in the ordinary course of business and/ or not on arm's length basis or any subsequent modification thereto, will be placed before the Board for its approval.

#### **B. Approval of Shareholders:**

- a. In case of listed company, Material Related Party Transactions will be placed before the shareholders for its approval through a special resolution;
- b. In case of all companies, the following transactions will be placed before the shareholders for its approval through special resolution;

i) sale, purchase or supply of any goods or material, directly or through appointment of agent, <sup>3</sup>[amounting to ten percent or more] of the turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;

(ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, <sup>3</sup>[amounting to ten percent or more] of net worth of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;

(iii) leasing of property any kind <sup>4</sup>[amounting to ten percent or more] of the net worth of company or <sup>3</sup>[ten per cent or more of turnover] of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (c) of sub-section (1) of section 188;

(iv) availing or rendering of any services, directly or through appointment of agent, <sup>3</sup>[amounting to ten percent or more] of the turnover of the company or rupees fifty crore, whichever is lower as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188:

Explanation.- It is hereby clarified that the limits specified in sub-clause (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

(b) is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and a half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188.

(c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation.- (1) The turnover or net worth referred in the above sub-rules shall be computed on the basis of the audited financial statement of the preceding financial year.

The said approvals are not required for transactions entered into between the Company and its wholly owned subsidiary(ies) whose accounts are consolidated and placed before the shareholders at the general meeting of the Company for approval

**C. Review of RPTs by Audit Committee:**

The Audit Committee shall review the transactions with related parties, on quarterly basis.

**D. Disclosure:**

**1. Listed company:**

- i. Details of all material transactions with related parties shall be disclosed on quarterly basis along with the compliance report on corporate governance.
- ii. The Company shall display this Policy on its website and shall disclose about the same in its Annual Report.

**2. Unlisted companies:**

All Related Party Transactions will be disclosed in annual report, results and other filings, as may be applicable, made by the Company to the extent required as per the applicable provisions of the laws and regulations.

In terms of General Circular No. 30/2014 dated July 17, 2014 issued by MCA, all existing contracts approved pursuant to Section 297 of the Companies Act, 1956 will not require fresh approval under the said section 188 till the expiry of the original term of such contracts.

**IV. CRITERIA/DOCUMENTS/PROCESS FOR ALL TRANSACTIONS WITH RELATED PARTIES:**

- a) For all the transactions, due documentation by way of contract/agreement/ bills/invoices/ should be in place.
- b) All the related party transactions shall be subject to the applicability, limits, enablement and other conditions as prescribed under the applicable Acts, Rules, Regulations and circulars and guidelines of Regulatory authorities including RBI, SEBI, MCA, Income Tax, etc.
- c) In case of infrastructure and common sharing arrangement, the terms of arrangement including the nature and quality of services, consideration and other terms and conditions shall be as comparable with the terms if availed from the market/third parties.
- d) In case of purchase/sale of fixed assets or other assets, the same shall be at market prices or per the valuer certificate.
- e) Related Party Transaction shall be approved after assessing all material terms and conditions of the transaction and ensure that the terms are comparable with the market rates/practices at the particular point of time and on arms length basis. The following

information will be taken into account when assessing a Related Party Transaction:

- a. The terms of such transaction;
  - b. The Related Person's interest in the transaction;
  - c. The purpose and timing of the transaction;
  - d. the nature of the Company's participation in the transaction;
  - e. If the transaction involves the sale of an asset, a description of the asset, including date acquired and costs basis;
  - f. Information concerning potential counterparties in the transaction;
  - g. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction and
  - h. Any other relevant information regarding the transaction.
- f) 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, should be 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. If the said ratification is not done such contract or arrangement shall be voidable at the option of the Board;

Any other regulatory changes in this regard will stand updated in the policy from time to time.