

**LICHFL ASSET MANAGEMENT COMPANY LIMITED**  
**Related Party Transaction and Management of Conflicts of Interest Policy and Procedures**  
**(Approved by Board of Directors on 23<sup>rd</sup> November, 2016)**

**A. RELATED PARTY TRANSACTIONS POLICY**

**1. Objective**

LICHFL Asset Management Company Ltd. (“**LICHFL AMC**” or the “**Company**”) recognises that related party transactions present a potential or actual risk of conflicts of interest (or the perception thereof) and therefore the Company has adopted this policy, under which all Related Party Transactions will be subject to approval or ratification in accordance with the procedures set forth in this policy.

**2. Definitions**

(a) **Related Party:** [section 2(76) of Companies Act, 2013]

With reference to the Company, Related Party would mean and include the following:

- i. a director or his relative;
- ii. a Key Managerial Personnel or their 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 his relative is a member or director;
- v. a public company in which a director or manager and holds along with his relatives, more than 2% 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 (except given in professional capacity) of a director or manager;
- vii. a person on whose advice, directions or instruction (except given in professional capacity) a director or manager is accustomed to act;
- viii. a holding / subsidiary or associate company, subsidiary’s subsidiary and
- ix. such person as would be prescribed. As per Rule 3 of Companies (Specification of Definitions Details) Rules, 2014 (“**Definition Rules**”) for the purposes of this sub-clause, 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

(b) **Relative:** [section 2(77) of Companies Act, 2013]

For the purposes of this Policy and pursuant to Rule 4 of the Companies (Specification of Definitions, Details) Rules, 2014, a person shall be deemed to be the relative of another if he or she is related to the other in any of the following manner:

- i. Father (including step father);
- ii. Mother(including step mother);
- iii. Son (including step-son);
- iv. Son's wife;
- v. Daughter;
- vi. Daughter's husband;
- vii. Brother (including step-brother);
- viii. Sister (including step-sister).

(c) **Related Party Transaction**

- i. For the purpose of this Policy, a Related Party Transaction is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which the Company was, is or will be a participant and the amount involved exceeds 10% of the networth or 10% of turnover of the Company and in which any Related Party had, has or will have a direct or indirect interest.
- ii. It may be mentioned here that the word 'material' is omitted from this definition so that the Audit Committee can assess the materiality of a Related Party's interest in the transaction, rather than management or employees in their determination of whether a transaction fall under the policy.
- iii. Further, as per section 188 of Companies Act, 2013, the following transactions are specified 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;
  - g. Underwriting the subscription of any securities or derivatives thereof, of the company;
- (d) **Key Managerial Personnel:** [section 2(51) of Companies Act, 2013 read with Section 203 of the Companies Act, 2013]

In relation to the Company, Key Managerial Personnel means the following:

- i. The Chief Executive Officer ;
- ii. The Company Secretary;
- iii. The Whole-time director;
- iv. The Chief Financial Officer;
- v. And such other officer as may be prescribed.

### **3. Procedures**

- i. The Audit Committee of the Board of Directors of the Company will review the relevant facts and circumstances of each Related Party Transaction, including if the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party and the extent of the Related Party's interest in the transaction, take into account the conflicts of interest and either approve or disapprove the Related Party Transaction.
- ii. Any Related Party Transaction that would be entered into and would continue only if the Audit Committee has approved or ratified such transaction in accordance with the guidelines set forth in this policy. If advance approval of a Related Party Transaction requiring the Audit Committee's approval, is not practicable, then the transaction may be preliminarily entered into by management subject to ratification of the transaction by the Audit Committee at the Audit Committee's next regularly scheduled meeting; provided that if ratification is not done, management will make all reasonable efforts to cancel or annul such transaction.
- iii. All Related Party Transactions shall require prior approval of the Audit Committee.
- iv. Omnibus approval

Subject to the provisions of the Companies Act, 2013 read with Rule 6A of Companies (Meetings of Board and its Powers) Rules, 2014, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- a. The Audit Committee shall, after obtaining approval of the Board of Directors, lay down the criteria for granting omnibus approval in line with the policy on Related Party Transactions of the Company and such criteria shall include the following, namely:
    - maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
    - the maximum value per transaction which can be allowed;
    - extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
    - review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the Company pursuant to each of the omnibus approval made;
    - transactions which cannot be subject to the omnibus approval by the Audit Committee.
  - b. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:
    - repetitiveness of the transactions (in past or in future);
    - justification for the need of omnibus approval.
  - c. The Audit Committee shall satisfy itself the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company;
  - d. Such omnibus approval shall specify the following:
    - Name(s) of the Related Party;
    - Name of the transaction and the nature and duration of the 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.
  - e. In such cases where the need for Related Party Transactions 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 Rs. \_\_\_\_\_ crore per transaction;
  - f. The Audit Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given;
  - g. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- v. The Audit Committee will have the discretion to recommend / refer any matter relating to the Related Party Transactions to the Board for the approval.

- vi. Management will present to the Audit Committee each proposed Related Party Transaction, including all relevant facts and circumstances, and will update the Audit Committee as to any material changes to an approved or ratified Related Party Transaction and will provide a status report annually at a regularly scheduled meeting of the Audit Committee, of all then current Related Party Transactions.
- vii. No director shall participate in approval of a Related Party Transaction for which he or she is a Related Party.

#### **4. Approval of Board of Directors**

All the Related Party Transactions specified under section 188(1)(a) to (g) of the Companies Act, 2013 (corresponding to paragraph (A)2(c)(iii) of this Policy) shall be approved by the Board of Directors of the Company. However, this provision will not apply to the transactions that are in the ordinary course of business of the Company other than transactions which are not on an arm's length basis.

#### **5. Factors / Criteria to be considered while granting approval to Related Party Transactions**

The Audit Committee / Board will consider the following factors, among others, to the extent relevant to the Related Party Transactions while granting its approval:

- i. Whether the terms of the Related Party Transaction are fair and on arms length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ii. Whether there are any compelling business reasons for the Company to enter into a Related Party Transaction and the nature of alternative transactions, if any;
- iii. Whether the Related Party Transaction would affect the independence of an independent director;
- iv. Whether the transaction qualifies to be a transaction in ordinary course of business;
- v. Whether the proposed transaction includes any potential risk issues that may arise as a result of or in connection with the proposed transaction;
- vi. Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the terms and size of the transaction, the purpose and timing of the transaction, the overall financial position of the director or other Related Party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board / Committee deems relevant.

## **6. Pre-Approved Transactions**

The Audit Committee has reviewed and pre-approved each of the following types of Related Party Transactions, which will be deemed to be approved or ratified, as applicable under this Policy:

- i. Managerial Remuneration to Whole-time Director & CEO if the remuneration is required to be reported / circulated to the shareholders pursuant to requirement of the Companies Act, 2013 and such remuneration has been approved, or recommended to the Company's Board of Directors for approval;
- ii. Transactions that are in the Company's ordinary course of business such as borrowings or raising of funds for business of the Company from the/ to the holding company/promoter company (LIC Housing Finance Ltd. / Life Insurance Corporation of India), repayment / payment of interest or principal towards secured or unsecured loans, ;
- iii. Transactions that are in the nature of payment of rent, dividend, reimbursement of municipal taxes, reimbursement/payment of electricity expenses, reimbursement of Provident Fund, GSLI, Mediclaim Insurance Premium, Group insurance Premium, licence fees/HRA/lease rent, gratuity for staff on deputation from the holding company/promoter (LIC Housing Finance Ltd. / Life Insurance Corporation of India), payment for staff training, conference and reimbursement of other petty expenses either to the holding company/promoter company (LIC Housing Finance Ltd. / Life Insurance Corporation of India) or subsidiary or associate.

## **7. Shareholders Approval**

All Related Party Transactions specified under Section 188(1)(a) to (g) of the Companies Act, 2013 (corresponding to paragraph (A)2(c)(iii) of this Policy) which are not in the ordinary course of business or which are not on arm's length shall, in addition to the Audit Committee/Board approval, require approval of the shareholders by an ordinary resolution if the transaction meets the monetary thresholds specified in Rule 15(3) of Companies (Meetings of Board and its Powers) Rules, 2014. No member who is a Related Party shall vote on such resolution to approve any contract or arrangement.

## **8. Disclosure**

All Related Party Transactions are to be disclosed in the Company's applicable returns / report as required by the Companies Act, 2013. Furthermore, all material Related Party Transactions will be disclosed to the Board of Directors.

## **9. Other Agreements**

Management will assure that all Related Party Transactions are not in violation of and are approved in accordance with any requirements of the Company's financing or other material agreements.

## **10. Review and Monitoring of Related Party Transactions**

The Related Party Transactions entered into with the Company to be reported to Audit Committee on quarterly basis for review purpose. The Audit Committee may review and monitor a Related Party Transaction taking into account the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. 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 requirements of the Companies Act, 2013.

## **11. Interpretation**

This Policy is intended to comply with the requirements of the Companies Act, 2013 (and Rules thereunder) for the purposes of Related Party Transactions. Notwithstanding anything to the contrary contained herein, this Policy will be interpreted only in such a manner as to comply with the requirement of dealing with Related Party Transactions under the Companies Act, 2013 (and Rules thereunder).

## **B. MANAGEMENT OF CONFLICTS OF INTEREST POLICY**

### **1. Background**

- i. LICHFL AMC (or "**Investment Manager**" or the "**Company**") is in the business of providing investment management and advisory services to Venture Capital Funds, Alternative Investment Funds and other such onshore and offshore vehicles.
- ii. LICHFL AMC currently acts as the investment manager to LICHFL Urban Development Fund, which is registered as a Venture Capital Fund under the SEBI (Venture Capital Funds) Regulations, 1996. LICHFL AMC shall provide similar services, on a non-exclusive basis, to other funds as well. Each such fund managed or to be managed by LICHFL AMC are hereinafter collectively referred to as "**the Fund**".

- iii. The Company may be subject to conflict of interest against the Fund and / or the portfolio entities of the Fund (the “**Relevant Parties**” and each a “**Relevant Party**”).
- iv. This conflict of interest management policy (“**Policy**”) is an affirmation of the firm principle of the Company to provide professional services of the highest standard by following ethical standards and in effective compliance with the SEBI (Venture Capital Funds) Regulations, 1996 and SEBI (Alternative Investment Funds) Regulations, 2012.

## 2. **Applicability**

This Policy applies to the Company, its Related Parties, the members of the investment committee of the Fund (“**IC**”) and the Investment Management Team of the Fund (the “**Related Entities**” and each a “**Related Entity**”).

## 3. **Investment Management Team**

The Investment Management Team of the Company shall comprise such members as set out in the Fund Documents of the relevant Fund.

## 4. **Objective**

The objective of this Policy is to ensure that the Investment Management Team and the Related Entities act in an independent manner and any transaction undertaken by them with any Relevant Party are at arm’s length basis. The Policy is intended to ensure that conflicts of interests are mitigated or avoided, as the case may be, and to ensure that the Investment Management Team and the Related Entities take rational steps in the process of identification, making, monitoring and divesting investments of the Fund by effectively managing conflicts of interests, if any. The Policy aims to safeguard the interests of the investors in the Fund.

## 5. **Obligations**

The Company shall act independently and will not engage in any transaction with the Relevant Parties, other than on an arm’s length basis and on terms which are no less favourable to the Fund than would be obtained in a transaction with an unaffiliated/unrelated party. The Company in its capacity as investment manager shall also ensure that it:

- a. has adequate procedures to ensure confidentiality of information and information is shared on a “need-to-know” basis; and
- b. acts in the best interest of the Fund.



## 6. Identification of Conflict of Interest

The Company has identified the following possible conflict of interest situations. This list is not exhaustive and is only indicative of the possible conflicts:

- i. The Related Entities may have an existing investment or other interests (which may be on the same terms as the Fund's investment or on different terms), or may propose to acquire a stake in an existing or proposed portfolio entity of the Fund;
- ii. The Related Entities may have information relating to Fund's investment policies and strategy and the proposed transactions that the Fund intends to undertake and would, thus, be in a better position to take proprietary positions/structure their transactions;
- iii. The Investment Management Team will only devote so much of its time to the Fund's operation as is, in its judgment, reasonably required. The Investment Management Team may have responsibility for other funds. Thus, allocation of time may create a conflict;
- iv. A certain investment opportunity in the portfolio entity may be commercially suitable for the Fund and Related Entities, thus creating an allocation conflict;
- v. A director of the Company or a member of the IC may also be a director on the board of directors of LIC Housing Finance Limited, sponsor of the Fund ("**Sponsor**") or an existing / proposed portfolio entity;
- vi. A possible conflict may arise where the Company is the manager for 2 (two) or more Funds and all these Funds are targeting the same portfolio entity;
- vii. The management fees and other incremental returns payable to the Company or the compensation terms of the Investment Management Team may not be in line with other advisors/teams in the market. This may create an incentive for the Company / Investment Management Team to make speculative investments for the Fund;
- viii. The Company may be in receipt of transaction, advisory, monitoring, underwriting (including employees acting as nominee directors on portfolio entities may be receipt of director's fees) from third person who are not related to the Fund and the fees shall still be retained by the Company and/or such nominee directors;
- ix. The attorneys, accountants, and other professionals who are performing services to the Fund may also be performing services to the Related Entities or to other Relevant Parties;
- x. The Investment Management Team shall structure the investments of the Fund in a manner that will meet the tax interest of the Fund as opposed to tax interest of individual contributor/investor in the Fund;
- xi. The Related Entities or other Relevant Parties may have relationships with leveraged buyout firms, private equity sponsors and other investors who may invest or may have invested in the same portfolio entity as that of the Fund;
- xii. Due to confidentiality requirement, the Related Entities may not be obligated to disclose their investments in or lending to any portfolio entity despite their investment or lending

not being aligned with the investment of the Fund and having the potential to affect the decision of the IC;

- xiii. Certain transaction or investment of the Fund may not get a go-ahead due to the pre-existing relationship of the Related Entities with the portfolio entity;
- xiv. The Related Entities may be in receipt of sweat equity shares of the portfolio entity in consideration for their services to the Fund and /or to the portfolio entity.

## **7. Management of Conflicts**

In the event of possible conflict of interest as set out hereinabove or otherwise, the Company shall take such actions as are necessary for resolving such conflicts. Below is a list of steps that may be adopted by the Company:

- i. The Investment Management Team shall devote substantial amount of its time on a priority basis towards the activities of the Fund;
- ii. Any issue of conflict of interest shall be resolved in good faith by judging the conflict reasonably and finding equitable resolution of known conflicts by complying with applicable laws;
- iii. In case of any conflict of interest situation relating to an investment of a Fund or relating to allocation of an investment opportunity to a Fund, the Investment Management Team may consult the IC wherever it deems appropriate;
- iv. In case of any conflict of interest between a Fund and the interest of Company, the same may be referred to LICHFL Trustee Company Pvt. Ltd, the trustee of the Fund (“**Trustee**”), for resolution;
- v. In case of any other conflict of interest involving the Investment Management Team, the matter may be referred to the Board of the Company for their decision;
- vi. Any transaction between any Related Entity and a Relevant Party that is not expressly contemplated by the respective Fund Documents of the relevant Fund shall require the prior approval of the IC or such other governing body of the Fund which has the power to approve such transactions;
- vii. Any acquisition (through primary or secondary purchase) or disposal of any security in a portfolio entity by a Fund where a Related Party has an interest shall be referred to and approved by the IC of such Fund or such other governing body of the Fund which has the power to approve such transactions;
- viii. Any member of the IC or the governing body, as the case may be, having any conflict of interest with respect to a matter put up for approval before the IC or the governing body shall withdraw himself/ herself from the decision making process.

Director & Chief Executive Officer