



## **RELATED PARTY TRANSACTIONS POLICY**

### **1. INTRODUCTION**

Hinduja Housing Finance Limited (the "Company/HHF") is committed to upholding the highest standards of professional and ethical conduct in fulfilling its responsibilities and recognizes that related party transactions can present potential or actual conflicts of interest of Directors, Key Managerial Personnel, Senior Management, etc. with the interest of the Company.

In order to ensure that the transactions entered into with related parties (as defined below) are in the best interests of the Company and the shareholders, the Board of Directors of the Company adopts this policy regarding review and approval of Related Party Transactions in compliance with the requirements of Section 188 of the Companies Act, 2013 and rules made there under and any subsequent amendments thereto ("Companies Act"), read along with Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations and Indian Accounting Standards on Related Party Disclosures (IND AS 24), as notified by the Companies (Indian Accounting Standards) Rules, 2015 as may be applicable in order to ensure the transparency and procedural fairness of such transactions and to set forth the procedures under which certain transactions must be reviewed and approved or ratified.

### **2. OBJECTIVES AND SCOPE**

The Policy is aimed at setting out a governance framework for handling related party transactions of the Company in accordance with the Applicable Law. Related party transactions can sometimes present a potential or actual conflict of interest for the Company and therefore, the Company is required to procure necessary approvals before undertaking any such transactions and make relevant disclosures as prescribed under Applicable Law. This Policy, therefore, is intended to serve as a guidance document for all stakeholders in order to identify and benchmark transactions between the Company and its related parties and deal with such transactions in compliance with Applicable Law. Accordingly, related party transactions may be entered into by the Company only in accordance with this Policy, as amended from time to time.

The Scope of the Related Party Transaction covers below:

- Materiality thresholds for Related Party Transactions.
- Related Party Transactions carried out in the ordinary course of business and at arm's length price.
- Related Party Transactions to be entered into by the Company, except in accordance with the provisions of this RPT Policy.

### **3. DEFINITIONS**

**'Applicable Law'** means the Companies Act, 2013, the rules made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and such other secretarial and accounting standards as may be applicable including any statutory modifications or re-enactment thereof.

**"Arm's length basis"** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determining Arm's Length Basis, guidance may be taken from the transfer pricing provisions under the Income Tax Act, 1961 and Section 188 (1) of the Companies Act.



**"Audit Committee"** means Audit Committee constituted by the Board of Directors of the Company under the provisions of Listing Regulations and Companies Act, from time to time.

**'Board of Directors'** means the collective body of the Directors of the company.

**"Director"** means a person as defined in Section 2(34) of the Companies Act, 2013.

**"Employees"** mean the employees and office-bearers of the Company, including but not limited to Whole-Time Directors.

**"Key Managerial Personnel"** or **"KMP"** the officers of the Company as defined in Section 2(51) of the Act and Rules prescribed thereunder.

**'Material Related Party Transaction'** 'in accordance with Regulation 23 of the listing regulations, shall mean a transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower. or as defined in any other applicable law or regulation including any modification or amendment thereof, as may be applicable, from time to time. 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 five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

**"Material Modification"** to a Related Party Transaction shall mean any one or more of the following:

- An increase over the approved limit for such a transaction, by an amount of more
- than Rs. 100 Crores in a financial year or ten percent (10%) of the approved limit, whichever is higher);
- Modification of the price or value of the contract / arrangement or rate of interest ( in case of a loan ) by 20% or more;
- Extending or reducing the contract period by 1 year or more;

**'Ordinary Course of Business' means:-**

- a) all such acts and transactions undertaken by the Company in the normal routine to conduct its business operations and activities and includes all such activities which the Company can undertake as per the Objects clause of the Memorandum of Association of the Company. The Company should take into account the frequency of the activity and its continuity carried out in a normal organized manner for determining what is in the Ordinary Course Business.
- b) On occasions, the nature of the business carried out and industry practice in accordance with well settled customs and usages would help determining whether an activity is in the 'ordinary course of business' or not.
- c) Activities in the ordinary course of business are likely to have a well-established precedence in the company history. If an activity is being conducted for the first time, it is likely not part of the ordinary course of business.



- d) Regular and frequently occurring activities will typically be considered to be unremarkable and in the ordinary course of business. Transactions which are infrequent and occur only once in a while are not to be classified as 'ordinary'. We are assuming periodicity to be once every 18 months.
- e) Activities where the quantum of transactions are consistent with past history
- f) the following activities will generally not be considered as part of the ordinary course of business:
  - (i) Corporate Restructurings and Schemes of Arrangement between related entities
  - (ii) Slump Sales or Hive-Offs to related entities
  - (iii) Purchase of securities of related entities (other than for pure investment companies)
  - (iv) Royalty fees paid or received from related entities
  - (v) Providing capital support to group entities (other than wholly-owned subsidiaries)

**"Related Party"** means related party as defined under Section 2(76) of the Companies Act, 2013, Accounting Standard (AS) 18 issued by the Institute of Chartered Accountants of India and Regulation 2 (1)(zb) of SEBI Listing Regulations.

**'Related Party Transactions'** means a transaction involving a transfer of resources, services or obligations between:

- (A) (i) HHF or any of its subsidiaries on one hand and a related party of the HHF or any of its subsidiaries on the other hand; or
- (ii) HHF or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the HHF or any of its subsidiaries, with effect from April 1, 2023; regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract:
- (B) However, the following transactions shall not be considered as Related Party Transaction for the purpose of this policy:
  - a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as modified or substituted from time to time;
  - b) the following corporate actions initiated by the Company which are uniformly applicable/ offered to all its shareholders in proportion to their shareholding in the Company:
    - i. payment of dividend;
    - ii. sub-division or consolidation of securities;
    - iii. issuance of securities by way of a rights issue or a bonus issue; and
    - iv. buy-back of securities<sup>5</sup>
- (C) Transactions as specified in Section 188 of the Companies Act, 2013 and rules prescribed thereunder.



Following transactions shall not require separate approval under this Policy:

- Any transaction that involves the providing of compensation to a Director or Key Managerial Personnel, in accordance with the provisions of the statutory laws stated herein this policy in connection with his or her duties to the Company or any of its Subsidiaries or Associates, including the reimbursement of reasonable business and travel expenses incurred in the Ordinary Course of Business;
- Indemnification and advancement of expenses made pursuant to any agreement or by-laws of the Company;
- Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party;
- Any transaction which is in the Ordinary Course of Business and on an Arm's Length Basis as determined in terms of this Policy;
- Any transaction entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval;
- Transactions that have been approved by the Board under the specific provisions of the Act, e.g. inter-corporate deposits, borrowings, investments with or in wholly owned subsidiaries or other Related Parties;
- Payment of Dividend;
- Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, approved by the Board and carried out in accordance with the specific provisions of the Act or the Listing Agreement;
- Contribution to Corporate Social Responsibility, subject to approval of Corporate Social Responsibility Committee and within the overall limits approved by the Board of the Company;
- Any other exception which is consistent with the Applicable Law, including any Rules or Regulations made thereunder, and must be approved in advance by the Audit Committee.

**Relatives**", as stated in Section 2(77) of the Companies Act and rules prescribed there under and as per Regulation 2(1) (zd) of the Listing Regulations

**"Senior Management "**means personnel of the Company who are members of its core management team excluding Board comprising all members of management one level below the Senior Vice-president, including the functional heads.

#### **4. RELATED PARTY TRANSACTIONS**

All related party transactions and material related party transactions of the Company shall be carried out in accordance with the norms specified under the Companies Act, 2013, the rules made thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any statutory modifications or re-enactment thereof.



The Company shall ensure that transactions with all related parties including subsidiaries, associate companies will be carried at Arm's Length basis.

**5. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS** Every Director and Key Managerial Personnel of the HHF will be responsible for providing a disclosure containing information of respective related parties to the Company Secretary on semi-annual basis and of any change in the information provided:

- Names of his / her Relatives;
- Partnership firms in which he / she or his / her Relative is a partner;
- Private Companies in which he / she or his / her relative is a member or Director;
- Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
- Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions; and
- Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

**6. APPROVAL PROCESS**

All Related Party Transactions and subsequent material modifications, if any, shall require prior approval of the Audit Committee, provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

**Provided further that:**

- (a) the audit committee of HHF shall define "material modifications" and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions;
- (b) a related party transaction to which the subsidiary of HHF is a party but the HHF is not a party, shall require prior approval of the audit committee of the HHF if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the HHF.

**Audit Committee Approval:**

The Audit Committee may grant omnibus approval for the proposed Related Party Transaction subject to the following conditions:

- a) The Audit Committee shall laydown the criteria for granting omnibus approval in line with this Policy 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:**
- o Name(s) of the Related Party;
  - o Nature of the transaction;
  - o Period of transaction;
  - o Maximum amount of transaction that can be entered into;
  - o The indicative base price / current contracted price and the formula for variation in the price, if any, and;
  - o Such other conditions as the Audit Committee may deem fit.
- d) In such cases where the need for Related Party Transaction 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. 1 crore per transaction;
- e) The Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given;
- f) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

**Board of Directors and Shareholders' approval** is required in accordance with Section 188 of the Companies Act, 2013 and Listing Regulations, the Board of Directors and Shareholders of the Company shall accord prior approval for Related Party Transactions, subject to the following:

- o Board of Directors and Shareholders' approval in terms of Companies Act,2013:
- o All Related Party Transactions which are either not on arm's length basis or not in the Ordinary Course of Business shall be recommended by the Audit Committee for the approval of the Board of Directors.
- o Provided the transactions as prescribed below shall be further recommend by the Board of Directors for the approval of the Shareholders of the Company by way of Ordinary Resolution, as provided under Section 188 of the Companies Act, 2013 read with related rules issued thereunder.



S.No.	Transaction Covered	Transaction value
1	Sale, Purchase or supply of any goods or materials directly or through appointment of agents*	10% or more of Turnover
2	Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents*	10% or more of Net worth
3	Leasing of property of any kind*	10% or more of Turnover
4	Availing or rendering of any services directly or through appointment of agents*	10% or more of Turnover
5	Such related party' appointment to any office or place of profit in the company, its subsidiary company or associate company	At a monthly remuneration exceeding Rs. 2.5 lakhs
6	Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company*	>1% of Net Worth

\*The limits shall apply for these transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

The concerned related party (ies) which are related to that transaction shall not vote to approve such relevant resolution.

#### **Shareholders' approval in terms of Listing Regulations:**

The Listing Regulations require a Company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a resolution.

The Company has fixed its materiality threshold at the level prescribed under explanation to Regulation 23(1) and Regulation 23(1A) of the Listing Regulations. All material related party transactions and subsequent material modifications shall require prior approval of the shareholders through resolution and no related party shall vote to approve on such resolutions whether the entity is a related party to the particular transaction or not.

"Provided that prior approval of the shareholders of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of SEBI (LODR) regulations, 2015 are applicable to such listed subsidiary.

All material related party transactions shall require approval of the shareholders through resolution and no related party shall vote to approve on such resolutions whether the entity is a related party to the particular transaction or not.



Provided that prior approval of the shareholders of HLF shall not be required for a related party transaction to which the listed subsidiary is a party but the HLF is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

The Audit Committee will also undertake an evaluation of the Related Party Transaction. If that evaluation indicates that the Related Party Transaction would require further approval of the Board, or if the Board in any case considers to review any such matter, the Audit Committee will report the Related Party Transaction, together with a summary of material facts, to the Board for its review/approval as the case may be.

If the Board is of the view that the Related Party Transaction needs to be approved at a general meeting of the shareholders by way of a special resolution pursuant to Applicable Law, the same shall be put up for approval by the shareholders of the Company

If prior approval of the Audit Committee or Board or general meeting for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee and the Board or general meeting, if required, within 3 months of entering in the Related Party Transaction.

In any case where either the Audit Committee or Board or a General Meeting determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or the general meeting, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Audit Committee or Board has authority to modify or waive any procedural requirements of this Policy.

In determining whether to approve or ratify a Related Party Transaction, the Audit Committee or Board will consider whether the Related Party Transaction is on reasonable terms having regard to the circumstances of the case and the extent of the Related Party's interest in the transaction.

## **7. DISCLOSURE BY DIRECTORS/ KEY MANAGERIAL PERSONNEL/SENIOR MANAGEMENT**

- Each Director, Key Managerial Personnel and Senior Management of the Company shall promptly disclose the Company / Chief Financial Officer / Company Secretary of any potential Related Party Transaction involving him or her or his or her Relatives, including any additional information about the transaction that the Company Secretary of the Company shall reasonably request based on such disclosure.
- The Company Secretary, in consultation with other members of management and an independent counsel, as appropriate, will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy. Ratification of a Related Party Transaction after its commencement or even its completion may be appropriate in some circumstances.





- Every Director or Key Managerial Personnel or Senior Management of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such meeting.
- Where any Director or Key Managerial Personnel or Senior Management, who is not so concerned or interested at the time of entering into such contract or arrangement, he/she shall, if he/she becomes concerned or interested after the contract or arrangement is entered into, disclose his/her concern or interest forthwith when he/she becomes concerned or interested or at the first meeting of the Board held after he/she becomes so concerned or interested.
- A contract or arrangement entered into by the Company without disclosure or with participation by a Director or Key Managerial Personnel or Senior Management who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Company.
- In addition, each Director or Key Managerial Personnel or Senior Management is required to make disclosures of the entities in which they or their Relatives are or are deemed to be interested, in the prescribed format under Applicable Law.
- Any Director or Key Managerial Personnel or Senior Management who has been convicted of the offence dealing with Related Party Transactions at any time during the last preceding five years shall be disqualified for appointment as Director / Key Managerial Personnel/Senior Management, as the case may be.

#### **8. GUIDELINES ON DETERMINATION OF ARM'S LENGTH NATURE OF THE RELATED PARTY TRANSACTIONS**

As a matter of prudence, the following guidelines are issued:

- Any single transaction with Related Party in excess of Rs.25 Crore be principally informed to the Audit Committee members indicating the salient features of the transaction and how the transaction is at "Arm's Length".
- At the time of determining the Arm's Length Basis of price charged for the Related Party Transaction, the Audit Committee shall inter- alia take into consideration the following:
  - i. Permissible methods of Arm's Length pricing as per Applicable Law including such prices where the benefits of safe harbour is available under Applicable Law.
  - ii. For the said purposes the Audit Committee shall be entitled to rely on professional opinion in this regard.

The Company relies on professionals and experts in the field of Company Law, Accounting and Taxation to review, certify and report on transactions, including those with Related Parties.

- The management of the Company should ensure periodically that all transactions with Related Parties be they on a single source basis or otherwise are on an "Arm's Length" basis.
- The company may from time to time undertake a benchmark study on pricing of the Related Party Transaction to satisfy itself it is at Arm Length Price.



## **9. RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED**

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy and shall take any such action it deems appropriate.

Further, if the Related Party Transaction is not ratified within three months from the date on which such contract or arrangement is 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 authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

The Company may proceed against a director or any other employee who had entered into such contract or arrangement in contravention of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement and shall take any such action, it deems appropriate.

## **10. DISCLOSURES**

- All related party transactions during the quarter shall be reported to the Audit Committee during its quarterly / annual meetings considering unaudited / audited financial statements of the Company.
- The Company will submit disclosures on related party transactions, to the stock exchanges in the prescribed format, within the timelines as specified under the Listing Regulations and publish the same on its website, as may be required.
- Disclosures are to be made in the Financial Statements of the Company in respect of transactions with related parties as envisaged under the Accounting Standard.
- The Company shall disclose this policy relating to Related Party Transactions on its website.
- The Annual Report of the Company shall also contain the disclosures on related parties as required under the Listing Regulations.
- Details of all Material RPTs shall be disclosed quarterly along with the Company's Compliance Report on Corporate Governance, in accordance with the Listing Regulations as amended from time to time.
- Such other disclosures as may be required under the statutory laws referred in this policy.

## **11. POWER TO AMEND THE POLICY**

The Board of Directors reserves the power to review and amend this policy from time to time as and when necessary.

The board of directors at least once every three years shall review and updated accordingly.