

**Annexure 6 to Memorandum 10**

**Related Party Transactions (RPT) Policy**

**1. Preamble**

The Related Party (“RP”) relationships are normal in business and accordingly the transactions with RPs may arise in the normal course of business. A policy on Related Party Transaction (“RPT”) is required in order to bring in a process and transparency in such transactions. Shriram Housing Finance Limited (the “Company”) truly believes in it. Thus, the Board of Directors of the Company (“Board”) has formulated this policy as approved by its Committee with regard to RPTs.

**2. Purpose**

This Related Party Transactions Policy (the “Policy”) is to regulate transactions between the Company and its RPs based on the laws and regulations applicable to the Company. This Policy shall become effective from the date of its adoption by the Board of the Company. It is intended to have required approval and reporting of transactions between the Company and its RPs. Such transactions are appropriate, only if, they are in the best interest of the Company and its shareholders.

This policy will guide the Company to effectively comply with the provisions of Companies Act, 2013 and its amendments thereto, the rules made thereunder (“**Companies Act, 2013**”), Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“**SEBI Listing Regulations**”), Accounting Standards as issued by Institute of Chartered Accountants of India, Income Tax Act, 1961 and the rules made thereunder, and such other statutes as may be put in place, in relation to corporate governance and related party transactions (“**Applicable Law**”).

**3. Scope**

This Policy shall be applied in:

- Identifying related parties, updating and maintaining the database of such persons/entities;
- Ascertaining that the transactions entered with the related parties are in ‘ordinary course of business’ and at ‘arm’s length basis’;
- Identifying related party transactions;
- Obtaining approvals before entering into any related party transactions;
- Determining the disclosures / compliances to be adhered in relation to the related party transactions.

**4. Definitions**

- i. “**Annual Consolidated Turnover**” is defined as Total Income (i.e. Interest earned plus Other Income) of the last audited Consolidated Financial Statements of the Company;

- ii. **Arm's Length Transaction / Basis** means a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no conflict of interest;
- iii. **Director** means the director on the Board of the Company;
- iv. **Key Managerial Personnel** or **KMPs** means key managerial personnel as defined under the Companies Act, 2013 and includes:
- (i) Managing Director, or Chief Executive Officer or Manager;
  - (ii) Whole Time Director;
  - (iii) Company Secretary;
  - (iv) Chief Financial Officer;
  - (v) Such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; or
  - (vi) Such other officer as may be prescribed.
- v. **Material Modification** means:
- Increase in the limit of amounts approved for a Related Party Transaction with a Related Party in a financial year;
  - significant terms and conditions of the contract with a Related Party such as modifications in price, margin, significant alteration to the credit period and material changes in scope of deliverables;
  - any other modification which as per the directions of the Audit Committee may be deemed material on case-to-case basis.
- vi. **Material Related Party Transaction** shall have the same meaning as given to 'a transaction with a related party shall be considered material' under the SEBI Listing Regulations, as may be amended from time to time. i.e. 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 ten percent of the Annual Consolidated Turnover of the Company as per the last audited financial statements of the listed entity or rupees one thousand crore, whichever is lower.
- 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 five percent of the Annual Consolidated Turnover of the Company as per the last audited financial statements of the Company.
- vii. **Ordinary Course of Business** shall mean the usual transactions, customs and practices carried on generally by the Non-Banking Financial Companies and shall include:
- transactions covered in the 'main objects' or the 'objects incidental' to attainment of the main objects as envisaged in the Memorandum and Articles of Association of the Company;

- transactions which are usually carried on by any Non-Banking Financial Company/Housing Finance Company;
  - transactions done with a related party on a similar basis as of a third party,
  - transaction or activity that is necessary, normal, regular and incidental to the business and involves significant amount of money or managerial resources that generates income for the Company.
- viii. Related Party**” means a related party as defined under the Applicable Law;
- ix. “Related Party Transaction”** means a transfer of resources, services or obligations between:
- i. the Company and a related party or
  - ii. the Company and any other person or entity, the purpose and effect of which is to benefit a related party of the Company;
- 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, and includes transactions as defined as a “related party transaction” under Applicable Law.
- x. “Unforeseen Related Party Transaction”** means a Related Party Transaction, where the need for such transaction cannot be foreseen, the details whereof necessary for seeking an omnibus approval of the Audit Committee are not available and the value of such transaction does not exceed Rupees one crore per transaction.

## **5. IDENTIFICATION OF RELATED PARTY AND RELATED PARTY TRANSACTIONS**

- a. The Company shall identify and keep on record its related parties as per Applicable Law.
- b. If a Director, Key Managerial Personnel wishes to enter into a Related Party Transaction with the Company involving either him/her or his/her relative shall give a notice to the Company along with all relevant details and documents.
- c. Notice of any Related Party Transactions, referred above shall be given well in advance so that the Company has adequate time to obtain additional information or documents about the proposed Related Party Transactions, if necessary, which is required to be placed before the Audit Committee to enable it to approve the said transactions.
- d. The Company shall obtain, disclosure of related parties from its Directors and KMP annually. The list of related parties maintained by the Company would be based on disclosures received by it from Directors and KMP and other concerned entities/ individuals.
- e. Additionally, every Director and KMP shall make an annual disclosure as required under Section 184(1) of the Companies Act, 2013 read with applicable rules made there under as may be amended from time to time.
- f. Every Director and KMP shall also promptly intimate any change in the disclosures mentioned above.

## 6. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

### A. Approval of the Audit Committee:

Every Related Party Transaction and subsequent Material Modifications thereto shall be subject to the prior approval of the Audit Committee. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following guidelines:

Audit Committee shall consider following factors/ criteria for granting omnibus approval, which shall include the following:

#	Particulars	Details
1	Repetitiveness of the transactions (in past or future);	More than One
2	Maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;	As determined by the Audit Committee from time to time
3	The maximum value per transaction which can be allowed;	As determined by the Audit Committee from time to time
4	Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;	As determined by the Audit Committee from time to time
5	Review, at such intervals as the Audit Committee may deem fit, Related Party Transactions entered into by the Company pursuant to each of the omnibus approval made;	At least quarterly
6	Transactions which cannot be subject to the omnibus approval by the Audit Committee.	As per this Policy including provisions of Clause 6 A(C)
7	Justification for the need of omnibus approval and in the interest of the Company.	Repetitive nature, Interest of Company and Administrative Convenience

(ii) The Audit Committee may grant omnibus approval in accordance with the provisions of Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 23 (3) of the SEBI Listing Regulations for Related Party Transactions which are of repetitive/regular nature proposed to be entered into.

*Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit committee may grant omnibus approval for such transactions subject to their value not exceeding INR. 1 crore per transaction.*

(iii) The omnibus approval shall be valid for a period of one year and shall require fresh approval after expiry of one year.

(iv) Omnibus approval shall not be granted for transactions in respect of selling or disposing of the assets of the Company.

(v) In determining whether to approve a Related Party Transaction, the Audit Committee shall consider (among other aspects it deems relevant), if there are clearly demonstrable reasons from the Company's business point of view, to enter into a transaction with a Related Party.

(vi) Audit Committee shall review, on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.

B. Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party Transaction. Only those members of the Audit Committee, who are independent directors, shall approve related party transactions.

C. Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee:

i) 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;

ii) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:

- a. payment of dividend;
- b. subdivision or consolidation of securities;
- c. issuance of securities by way of a rights issue or a bonus issue; and
- d. buy-back of securities.

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 Applicable Law.

**B. Approval of the Board of Directors:**

A) The following Related Party Transactions shall be placed before the Board of Directors for approval, after the approval of the Audit Committee:

(i) Related Party Transactions referred by the Audit Committee including Material Related Party Transactions and subsequent Material Modifications thereto;

(ii) Related Party Transactions **not** on Arm's Length Basis, and/or;

(iii) Related Party Transactions **not** in the Ordinary Course of Business.

(B) The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose the details as required under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure) Requirements, Regulations, 2015.

(C) Any Director interested in any contract or arrangement with a Related Party shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

**C. Approval of the Shareholders:**

(A) Prior approval of the shareholders of the Company shall be obtained for Material Related Party Transactions and subsequent Material Modifications under SEBI Listing Regulations, by way of an ordinary resolution.

(B) Any Related Party Transaction which is not in the Ordinary Course of Business and/or not on Arm's Length Basis, and crosses prescribed threshold limit as per Companies Act, 2013 will require prior approval of the shareholders.

No Related Party shall vote to approve on such resolution whether the entity is a Related Party to the particular transaction or not. However, the said requirement would not be applicable in respect of a resolution plan approved under Section 31 of the Insolvency and Bankruptcy Code, 2016, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

(C) The explanatory statement to be annexed to the notice of a general meeting convened shall contain such particulars as required under the Companies Act, 2013 and SEBI Listing Regulations.

The approval policy framework is given below:

**1. Audit Committee Approval**

- ✓ Prior approval of all Related Party Transactions except items mentioned in 6A (C) above.

**2. Board Approval**

- ✓ Related Party Transactions referred by Audit Committee for approval of the Board;
- ✓ Related Party Transactions not in the Ordinary Course of Business and not on Arm's Length Basis;

**3. Shareholders' Approval**

- ✓ Approval by Ordinary resolution for
  - a. Material Related Party Transactions;
  - b. Related Party Transactions not in Ordinary Course of Business and/or not at Arm's Length Basis and crosses prescribed threshold limit as per Companies Act, 2013.

**7. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

In the event the Company becomes aware of a 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 such Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction or modification of the transaction to make it acceptable for ratification if permitted under Applicable Law. 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 as it deems appropriate.

In case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of such transaction.

In case the Company is not able to take prior approval from the Audit Committee, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Audit Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

## **8. POLICY REVIEW**

The Policy shall be reviewed by the Board at least once every two years and updated accordingly.

In case of any subsequent changes in the provisions of the SEBI Regulations or the Companies Act, 2013 and rules thereunder or other applicable law, the relevant amended provisions would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

## **9. INTERPRETATION**

Any ambiguities, interpretative issues, difficulties will be resolved by the Board of Directors of the Company in line with the broad intent of this Policy read with the applicable provisions of the Act, rules made thereunder, and the SEBI LODR Regulations.

In any circumstance where the terms of this Policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over these policies and procedures until such time as this Policy is amended to conform to the law, rule, regulation or standard.

In the event of any conflict between the provisions of this Policy and the Act or the SEBI LODR Regulations or any other statutory enactments or rules, the provisions of the SEBI LODR Regulations / the Act or statutory enactments, rules made thereunder shall prevail over to this Policy and the part(s) so repugnant shall be deemed to severed from the Policy and the rest of the Policy shall remain in force.

## **10. DISCLOSURE**

Appropriate disclosures as required by the Companies Act, 2013, SEBI Listing Regulations and Reserve Bank of India will be made in the Annual Return and the Board's Report of the Company. This Policy shall be disclosed on the website of the Company