

## Hero Housing Finance Ltd.

### Related Party Transactions Policy

#### 1. Introduction

Hero Housing Finance Ltd. (hereinafter referred to as HHFL or the company) recognizes that Related Party Transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company and its shareholders' best interests and in compliance to the provisions of the Companies Act, 2013.

The Board of Directors of the Company has adopted the following policy and procedures with regard to materiality of Related Party Transactions and also on dealing with them as defined below. The Audit Committee will review and may amend this policy from time to time subject to the approval of the Board.

The objective of this policy is to regulate transactions between the Company and its Related Parties based on the Companies Act 2013 and other laws and regulations applicable to the Company.

#### 2. Definitions

**"Act"** means the Companies Act, 2013

**"Arm's length transaction"** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest

**"Ordinary course of business"** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association. The Board and Audit Committee may lay down principles for determining ordinary course of business in accordance with statutory requirements and other industry practices and guidelines.

**"Company"** means Hero Housing Finance Ltd.

**"Relative"** with reference to a Director or KMP means the person as defined in Section 2(77) of the Act and rules prescribed thereunder.

**"Related Party"** means an individual, entity, firm, body corporate or person as defined in Section 2(76) of the Act.

**"Related party transaction"** is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged, including but not limited to the following:

- (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) appointment to any office or place of profit in the company

A transaction shall be construed to include a single transaction or a group of transactions in a contract.

**“Key Managerial Personnel”** shall mean the officers/employees of the Company as defined in Section 2(51) of the Companies Act, 2013

**“Employees”** shall mean the employees and office-bearers of the Company, including but not limited to Directors

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

**“Audit Committee”** means the Committee of the Board formed under section 177 of the Act.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013.

### **3. Related party transactions under the policy**

#### **Applicability**

The new regime under Companies Act, 2013 covers in its ambit almost all the dealings and transactions with related parties. Any transfer of resources, services or obligations between a company and a related party, would get covered as a ‘related party transaction’, whether or not, there is an element of consideration, price or cash-flow.

#### **Approval Process - Normal**

All related party transactions shall be entered into after prior approval of Audit Committee. Based on the terms and conditions of a transaction, and applicable regulatory requirements, the Audit Committee will have the discretion to recommend / refer it for the approval of Board of Directors or Shareholders.

In the event such transaction, contract or arrangement is not in the ordinary course of business or at arm's length, the Company shall comply with the provisions of the Companies Act 2013 and the Rules framed thereunder and obtain approval of the Board or its shareholders, as applicable, for such contract or arrangement.

All material related party transactions will be placed for approval of the shareholders of the Company through special resolution and all entities under the definition of related parties shall abstain from voting on such resolutions. The Audit Committee will have the discretion to seek opinion / report of an independent expert in case of material transactions.

***A transaction with a related party is considered material if the transaction / transactions to be entered into, either individually or taken together with previous transactions with such related party 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.***

#### **Approval Process - Omnibus**

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 lay 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.
- 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 (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, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

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

#### **4. Transaction at arm's length**

The Company has laid out a framework to assess whether transactions with related parties are done at an arm's length. Globally accepted practices and principles have been incorporated in the framework. Tests to determine that transactions are in "ordinary course of business" and on an "arms' length basis" are conducted on an ongoing basis.

#### **5. Disclosure**

- All Directors/KMP are required to disclose the parties in which they are deemed to be interested in prescribed form.
- Further, each Director and KMP of the Company shall promptly notify the Secretarial Department of any material transaction or Relationship that could reasonably be expected to give rise to a conflict of interest.
- Every related party transaction, if required under law/Listing Agreement shall be referred to in the Board's report along with the justification for entering into such contract or arrangement. The Company shall also maintain Register in the prescribed form.
- The company shall disclose the policy on dealing with Related Party Transactions on its website and a web-link thereto shall be provided in the Annual Report.

#### **6. Whistle blower for any Related Party Transaction entered by company in non-compliance of such policy**

Any officer or employee, can approach access / approach the vigil mechanism or Company Secretary to report a fraudulent related party transaction.

## **7. Guidance Principles for approval of a Related Party Transaction by the Board/Committee thereof**

To review a Related Party Transaction, the Board/Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and any other relevant matters. In determining whether to approve or a Related Party Transaction, the Board/Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- ✓ Whether the terms of the Related Party Transaction are fair to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ✓ Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- ✓ Whether the Related Party Transaction would impair the independence of an otherwise Independent Director or Nominee of a Director;
- ✓ Whether the Related Party Transaction would present an improper conflict of interest for any Director, Nominee for Director or KMP of the Company, taking into account the size of the transaction, the overall interest of the Director, Nominee for Director, Executive Officer or other Related Party, the direct or indirect nature of the Director's Nominee, Executive Officer'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.

In any case where either the Board/Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Board/Committee, 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 Board/Committee has authority to modify or waive any procedural requirements of this Policy.

## **8. Consequences of non-compliance of such policy for any Related party transaction**

Non-compliance of this Policy may lead to initiation of disciplinary proceedings against the Employee. Details of such disciplinary proceedings will form part of the personal file of such employee and will be considered as a default on his or her key responsibilities. The above would be over and above the prescribed penal consequences under Companies Act.

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