



Dewan Housing Finance Corporation Limited

Related Party Transaction Policy

REVISION HISTORY:	
<i>Effective from</i>	1st October, 2014
<i>1st Amendment</i>	20th October, 2015
<i>2nd Amendment and Review</i>	16th January, 2017
<i>3rd Amendment and Review</i>	3rd May, 2017
<i>4th Amendment and Review</i>	30th April, 2018
<i>5th Amendment and Review</i>	27th June, 2018
<i>6th Amendment and Review</i>	25th January, 2019

1. Preamble

In terms of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (incl any amendment(s)/ modification(s) thereof), and Section 188 of the Companies Act, 2013 read with rules made thereunder (incl any amendment(s)/ modification(s) thereof), the Board of Directors (the “Board”) of Dewan Housing Finance Corporation Limited (the “Company” or “DHFL”), have basis the recommendations of the Audit Committee Members framed and adopted the Related Party Transaction Policy [“Policy” or “this Policy”] with effect from 1st October, 2014, which defines and lays down the procedures with regard to Related Party Transactions. This policy aims to regulate transactions between the Company and its Related Parties, based on the laws and regulations applicable to the Company.

2. Objective

The objective of this Policy is to regulate transactions with related parties and ensure transparency between them. It sets out the materiality thresholds for related party transactions and the manner of dealing with such transactions in accordance with the provisions of Companies Act, 2013 and SEBI Listing Regulations.

3. Definitions

“**Act**” means the Companies Act, 2013 and rules made thereunder and includes any amendment(s)/ modification(s) thereof.

“**Arms Length Transaction**” means transaction between two related or affiliated parties that is conducted as if they were unrelated, so that there is no question of conflict of interest.

“**Audit Committee/Committee**” means Committee of Board of Directors of the Company constituted as per the provisions of SEBI Listing Regulations and Companies Act, 2013.

“**Key Managerial Personnel**” means any person as defined in Section 2(51) of the Companies Act, 2013.

“**Policy**” means Related Party Transaction Policy.

“Material Related Party Transaction(s)” means transaction/transactions with the related party 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.

Further, 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, exceeds two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the Company.”

“Related Party” shall mean Related Party as defined under SEBI Listing Regulations.

“SEBI Listing Regulations” shall mean SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 or any further statutory modification(s)/ amendment(s) thereof.

“Related Party Transaction” shall mean to include:

- 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 a single transaction or a group of transactions in a contract;
- b. contracts or arrangements entered into with related party for:
 - i. Sale, purchase or supply of any goods or materials;
 - ii. Selling or otherwise disposing of, or buying, property of any kind;
 - iii. Leasing of property of any kind;
 - iv. Availing or rendering of any services;
 - v. Appointment of any agent for purchase or sale of goods, materials, services or property;
 - vi. Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
 - vii. Underwriting the subscription of any securities or derivatives thereof, of the Company.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, SEBI Listing Regulations or any other applicable law or regulation(s).

4. Terms of the Policy

- 4.1** All the Related Party Transactions proposed to be entered by the Company shall require prior approval of the Audit Committee including the transactions to be entered in the ordinary course of business. The Audit Committee shall recommend the Related Party Transaction(s) for the approval of Board of Directors/ Shareholders as per the terms of this policy and the applicable provisions/ regulations of Companies Act, 2013 and SEBI Listing Regulations respectively or any amendment(s) / modification (s) thereto.
- 4.2** The Related Party Transactions entered into in the ordinary course of business and transacted at arms' length shall not require approval of the Board of Directors. However, all related party transactions to be entered by the Company shall require prior approval of the Audit Committee.
- 4.3** All the Material Related Party Transaction and Related Party Transactions as defined under Section 188 (1) , exceeding the threshold limits prescribed under rule 15 sub rule(3) of Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014, as detailed under Clause 4.4. below, shall require prior approval of the Audit Committee, Board of Directors and Shareholders of the Company by way of a resolution.
- 4.4** Transactions as prescribed under Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, includes the transactions/ contracts/ arrangements as follows :
- a. Contracts or arrangements with respect to clauses (a) to (e) of Section 188 (1) of Companies Act, 2013 with criteria as mentioned below:
 - i. Sale, purchase or supply of any goods or materials, directly or through appointment of agent, 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 of Companies Act, 2013;
 - ii. Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, 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 of Companies Act, 2013;
 - iii. Leasing of property of any kind amounting to ten percent or more of the net worth of the company or ten percent 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 of Companies Act, 2013;

- iv. Availing or rendering of any services, directly or through appointment of agent, 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 of Companies Act, 2013.

These limits shall however, apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

- b. Contracts or arrangements with respect to Clause (f) of Section 188 (1) wherein a related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company is at a monthly remuneration exceeding two and a half lakh rupees.
- c. Contracts or arrangements with respect to Clause (g) of Section 188 (1) wherein such related party receives a remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company exceeding one percent of the net worth.
- d. Subject to the provisions of SEBI Listing Regulations and the Companies Act, 2013, any Related Party Transaction(s) to be entered into with an individual Related Party, taken together with previous related party transaction(s) with such individual Related Party, in a financial year, exceeding the threshold limit of ten per cent of annual consolidated turnover of the Company as per the last audited financial statements, shall require approval of both the Audit Committee and Board of Directors.

5. Procedures

a. Review and approval of Related Party Transactions by Audit Committee Members

- Audit Committee shall review all the potential/proposed Related Party Transactions, to ensure that no conflict of interest exists and evaluate it from the perspective of Arms' Length Pricing.
- Any member of the Audit Committee who has an interest in the transaction under discussion shall not vote to approve the Related Party Transaction, but may, if so requested by the Chairperson of the Committee, participate in some or all of the Committee's discussions of the Related Party Transaction.

- Audit Committee shall have all the rights to call for information/documents in order to understand the scope of the proposed related party transactions and devise an effective control system for the verification of supporting documents.

- The Audit Committee shall be provided with the following relevant information and details pertaining to each proposed related party transactions/ contracts –
 - i. The name of the related party and nature of relationship;
 - ii. The nature, duration of the transaction / contract or arrangement and particulars of the transaction/ contract or arrangement;
 - iii. The material terms of the transaction/contract or arrangement including the value and / or the maximum amount for which the same is proposed to be entered into ;
 - iv. Any advance paid or received for the transaction / contract or arrangement, if any;
 - v. The manner of determining the pricing and other commercial terms, both included as part of transaction / contract and not considered as part of the same;
 - vi. Whether all factors relevant to the contract have been considered, if not, the details of factors not considered.
 - vii. The rationale for not considering the relevant factors; and
 - viii. Any other information relevant or important for the Audit/ Board to take a decision on the proposed transaction.

- The Audit Committee shall while reviewing the Related Party Transaction, consider all the relevant information/ facts submitted to it, including but not limited to the (a) Commercial or business reasonableness of the terms of the subject transaction so as to analyse that transaction is on an arms' length basis, benchmarking the same with the information and /or drawing reference to the information that may have a bearing on the arms' length analysis. eg: industry trends, certificate from an independent auditor, valuation reports, third party comparables, publications or quotations. etc. (b) availability and / or the opportunity cost of the alternate transactions (c) materiality and interest (direct/ indirect) of the related party in the subject transaction, (d) actual or apparent conflict of interest of the Related Party, (e) If the Related party is an Independent Director then the Audit Committee shall also consider the impact of the said Related Party Transaction on the Director's independence.

- Upon completion of its review of the transaction, the Audit Committee may decide to approve with or without amendment / modification the proposed related party transaction. In case of a related

party transaction, other than transactions referred to in section 188 of the Act, and where Audit Committee does not approve the transaction, it shall make its recommendation to the Board.

- The Audit Committee, if considers it appropriate, can also propose modification/s in the approved related party transaction subsequently.
- Approval of Audit Committee is not required when the transaction is other than a transaction referred in section 188 of the Act and between the Company and its wholly owned subsidiary(ies) company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting of the Company, for approval.

b. Omnibus Approval of Related Party Transactions

The Audit Committee may grant omnibus approval, pertaining to the transactions in the ordinary course of business, transactions for support service/ sharing of services with Associates Companies, Sub Lease of Office Premises or Office Sharing arrangement with Associate Companies or any other transactions or arrangements as it may deem appropriate, being proposed to be entered into on Arms Length basis, subject to the following conditions.

- i. The Audit Committee shall grant omnibus approval in line with this policy and such approval shall be applicable in respect of transactions which are repetitive in nature.
- ii. The Audit Committee shall satisfy itself in respect of the need for such omnibus approval and that such approval is in the interest of the company;
- iii. 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 or criteria's, as the Audit Committee may deem fit;

However, 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.

- iv. Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.

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

c. Review and approval of Related Party Transactions by Board of Directors

- In case the Audit Committee determines that the Related Party Transaction requires the approval of the Board of Directors or Shareholders as per the terms of this policy and applicable regulatory provisions then it shall refer the said Related Party Transaction to the Board of Directors for its approval alongwith all the relevant information/ documents pertaining to the same.
 - The Board shall review the Related Party Transaction and recommendations of the Audit Committee, if any, and shall have the authority to call for such additional information as it may deem appropriate and may approve with or without modification(s) or reject the proposed related party transaction as per the terms of this policy and other applicable regulatory provisions.
 - In case, the Board determines that the Related Party Transaction requires approval of the shareholders as per the terms of this policy and applicable regulatory provisions then it shall refer the said Related Party Transaction to the shareholders for its approval alongwith all the relevant information/ documents pertaining to the same, as per the appropriate regulatory provisions.
- d. All Material related party transaction(s) or related party transaction(s) other than a transactions referred in section 188 of the Act to be entered into between the Company and its wholly owned subsidiary(ies), whose accounts are consolidated with the Company and placed before the Shareholders at the general meeting for approval, shall not require approval of the shareholders.
- e. Approval of the Audit Committee /Board of Directors shall be required incase of any subsequent amendment/modification/renewal, in the terms of the earlier approved Related Party Transaction, as the case may be.

6. Disclosures

- Every Director of a 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—
 - (a) With a body corporate in which such director or such director in association with any other director, holds more than two per cent shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or

(b) With a firm or other entity in which, such director is a partner, owner or member, as the case may be,

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 such meeting:

Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

- Each Director, Key Managerial Personnel shall be required to disclose to the Audit Committee any potential Related Party Transaction(s) proposed to be entered into by them or their relatives.
- The Related Party Transaction entered into with the related party/ies shall be disclosed in the Director's Report / Annual Report as per the disclosure requirement(s) of the Companies Act, 2013 and SEBI Listing Regulations.

Material Transactions exceeding the threshold limits as prescribed under Rule 15 sub rule(3) of Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014 shall be disclosed under "Details of material contracts or arrangements or transactions at arms' length" in Form no. AOC-2 as a part of the Directors Report, as prescribed under Companies Act, 2013.

- The particulars of all the Related Party Transaction entered into with the approval of the Audit Committee / Board of Directors / Shareholders shall be entered into the Register of Contracts or Arrangements in which Directors are interested, maintained by the Company as per the provisions of the Companies Act, 2013 and rules framed thereunder.
- All entities falling under the definition of related parties shall not vote to approve the transaction at the Board Meeting or at Annual General Meeting irrespective of whether the entity is a party to the particular transaction/ contract / arrangement or not.
- This Policy shall be uploaded on the website of the Company and a web link thereto shall be provided in the Annual Report.
- Quarterly/periodical updates shall be provided to the Audit Committee members on the related party transactions entered by the Company.

- Details of all Material Related Party transactions with its related parties shall be disclosed in the quarterly compliance report on corporate governance as per the provisions of SEBI Listing Regulations.
- The Company shall submit disclosure of Related Party Transactions on a consolidated basis in the format specified in the relevant accounting standards for annual results to the stock exchanges within 30 days from the date of its publication of its standalone and consolidated financial results for the half year.

7. Ratification

Subject to compliance with the provisions of SEBI Listing Regulations, any related party transaction entered into by a director or officer of the Company amounting not exceeding one crore rupees without approval of the Audit Committee and not ratified by the Audit Committee within 3 months from the date of transaction(s), then such transaction(s) shall be voidable at the option of the Audit Committee and if the related party transaction entered into by a director or authorised by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it.

If any contract or arrangement is entered into by a director or any other employee of the Company, without obtaining the consent of the Board or approval by a resolution in the general meeting as per the provisions of Section 188 (1) of the Companies Act, 2013 and if it is not ratified by the Board and/or by the shareholders at a meeting, as the case may be, within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be of the shareholders and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

8. Amendments

- The Audit Committee shall periodically review, propose modifications/ amendments, if deemed necessary, to this policy which shall be subject to the approval of the Board of Directors.
- The Board of Directors shall review the Policy at least once in three years and if deemed necessary, propose modifications/amendments therein.
- In the event of any conflict between the provisions of this Policy, Act or SEBI Listing Regulations or any other statutory enactments/rules/laws, the provisions of such Act/Regulations or any other statutory enactments/rules/laws would prevail over this Policy.
