

**POLICY ON RELATED PARTY TRANSACTIONS**

**OF**

**NEW HABITAT HOUSING FINANCE AND DEVELOPMENT  
LIMITED**

## Confidentiality Statement

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## Document Control

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## 1. **OBJECTIVE:**

The objective of this Policy is to ensure proper regulation of transactions between the Company and its Related Parties in compliance with the provisions pertaining to Related Party Transactions in the **Companies Act, 2013** (the “Act”), the Rules made thereunder and the applicable provisions of the **Master Circular- Housing Finance Companies – Corporate Governance-NHB Directions-2016** and any other applicable statutory provisions for the time being in force, in this regard.

## 2. **DEFINITIONS:**

“**Applicable Laws**” includes:

- (a) The Companies Act, 2013 (the Act) and rules made thereunder;
- (b) Accounting Standards;
- (c) National Housing Bank (NHB) Act, NHB Housing Finance Companies Directions, 2010 and Notifications issued by NHB from time to time.

“**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.

“**Audit Committee**” means the Committee constituted by the Board of Directors of the Company in accordance with the Section 177 of the Companies Act, 2013 read with the rules framed thereunder (“Act”);

“**Associate Company**” in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

***Explanation**—For the purposes of this clause, “significant influence” means control of at least twenty per cent of total share capital, or of business decisions under an agreement.*

**Key Managerial Personnel (KMP)** mean key managerial personnel as defined under the Companies Act, 2013 and includes-

- i. the Managing Director or the Chief Executive Officer or the manager and in their absence, a Whole-time Director;
- ii. the Company Secretary;
- iii. the Chief Financial Officer; and
- iv. Such other person as may be specified as KMP from time to time.

“**Related Party**”: **An entity shall be considered as related to the Company if:**

- i) such entity is a related party as defined under Section 2(76) of the Companies Act, 2013; or
- ii) such entity is a related party under the applicable accounting standard(s).

Related Party under Section 2(76) of the Companies Act, 2013 means;

- i) a director or his relative;

- ii) a Key Managerial Personnel or his 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 is a director and/or holds along with his relatives, more than two per cent. 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 of a director or manager;
- vii) any person on whose advice, directions or instructions a director or manager is accustomed to act; Provided that nothing in clause (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity);
- viii) any company which is:
  - (a) a holding, subsidiary or an associate company (>20% or control of business decisions under an agreement) of such company; or
  - (b) a subsidiary of a holding company to which it is also a subsidiary;
- ix) a Director (other than Independent Director) or key managerial personnel of the holding company or his relative with reference to the company.

The Accounting Standard 18 defines related party:

“Parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and / or operating decisions.”

“**Relative**” means relative as defined under Section 2(77) of the Companies Act, 2013 .A person shall be deemed to be the relative of another if he or she is related to another in any one of the following manner:

- i. Member of the Hindu Undivided Family
- ii. Spouse
- iii. Father
- iv. Mother
- v. Son
- vi. Son’s wife
- vii. Daughter
- viii. Daughter’s husband
- ix. Brother
- x. Sister.

“**Related Party Transactions**” means any transaction involving transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged and includes –

- 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 the 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 or associate Company;
- g. Providing or obtaining guarantees and collaterals.

**Explanation:** *A transaction with a Related Party shall be deemed to include single transaction or a group of transactions in a contract.*

**“Material Related Party Transactions”** means any transaction/transactions to be entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

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

### **3. REVIEW AND APPROVAL OF THE RELATED PARTY TRANSACTIONS:**

1. The Audit Committee (the Committee) of the Board shall review and, if considered appropriate, approve the Related Party Transactions. While considering the Related Party Transactions, the following information shall be presented to the Committee:
  - (i) the name of the related Party and the basis on which such person or entity is a Related Party;
  - (ii) the Related Party’s interest in the transactions, including the Related Party’s position or relationship with or ownership of, any entity that has an interest in the transactions;
  - (iii) the approximate monetary value of the transactions of the Related Party’s interest in the transactions;
  - (iv) general description of the transactions, including material terms and conditions, if any;
  - (v) in the case of loan, the aggregate amount of loan and the rate/amount of interest payable on such loan;
  - (vi) an assessment of whether the transactions are on terms that are comparable with the terms available to unrelated parties or to the employees generally; and
  - (vii) any other material information regarding the transactions or the Related Party’s interest in the transactions.

The transactions shall be approved only if it is determined by the Committee that such transactions are:

- (i) in the best interests of the Company and its shareholders;
- (ii) to be entered into by the Company (or its subsidiary or associate entity) on terms that are comparable to those that would be obtained in arm’s length transactions with unrelated parties; and
- (iii) In the ordinary course of the business of the Company.

**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.

2. No member of the Committee shall participate in the review, consideration or approval of any Related Party Transactions with respect to any transaction in which such member or any of his/her relative is a related Party.

3. If any material information with respect to such transactions shall change subsequent to the Committee's review of such transactions, the Committee shall be presented with the updated information for its approval.
4. If any additional Related Party Transactions is proposed to be entered into subsequent to the Committee's approval, management shall present such transactions to the Committee for approval before entering into such transactions.

### **Approval of the Board**

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

### **Omnibus Approval of the Audit Committee**

All related party transactions shall require approval of the Audit Committee and the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the company subject to the following conditions, namely

- (1) The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely:-
  - (a) Maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
  - (b) The maximum value per transaction which can be allowed;
  - (c) Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
  - (d) 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;
  - (e) Transactions which cannot be subject to the omnibus approval by the Audit Committee.
- (2) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -
  - (a) Repetitiveness of the transactions (in past or in future);
  - (b) Justification for the need of omnibus approval.

### **Related Party Transactions not approved under the Policy**

In the event of entering into 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 Committee. The Committee shall consider all 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 Committee shall also examine the facts and circumstances pertaining to the failure of reporting such

Related Party Transaction to the Committee under the Policy, and shall take any such action it may deem fit.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements as specified in the Policy.

**Related Party Transactions not previously approved**

Where any contract or arrangement is entered into by a Director or any other employee of the Company with a Related Party, without obtaining the necessary approvals and if such transaction is not ratified by the Committee, Board or, as the case may be, by the Shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract/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 authorised 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 the Policy for recovery of any loss sustained by the Company as a result of such contract or arrangement and shall take any such action, it may deem fit.

**Disclosures**

Every Director and the KMP shall, from time to time make the necessary disclosures to the Board, a period of 30 days of his appointment, or relinquishment of his office in other Companies/Firms/bodies corporate, as the case may be, disclose to the Company the particulars relating to his/her concern or interest in the other associations which are required to be included in the Register maintained in this regard.

The Company shall disclose, in the Board’s report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm’s length basis.

This Policy will also be uploaded on the website of the Company.

**Scope Limitation**

In the event of any conflict between the provisions of this Policy and / Companies Act, 2013 or any other statutory enactments, rules, the provisions of Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.

**Review**

This Policy shall be reviewed by the Audit Committee as and when any changes are to be made in the Policy. Any changes or modification in the Policy as recommended by the Committee shall be presented to the Board for their approval.

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