



Sitarra[®]
A SEWA INITIATIVE

POLICY ON RELATED PARTY TRANSACTION

PART-A

1. REGULATORY FRAMEWORK

In terms of paragraph 4.3 of Annex 4 of Master Circular- Housing Finance Companies – Corporate Governance (NHB) Directions, 2016, all non-public deposit accepting Housing Finance Company with assets size of 50 crore and above, as per the last audited balance sheet are required to disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report. This policy shall also be disclosed by the Company in the Annual Report besides being made available on the website of the Company. The assets size of SEWA Grih Rin Limited has exceeded INR 50 crores. Hence, the Company is required to follow these directives.

This Policy has been prepared in compliance of the provisions of National Housing Bank (NHB) directions and provisions of the Companies Act 2013 and rules made thereunder.

2. THE POLICY

SEWA GRIH RIN LIMITED shall engage with Related Parties transactions in the ordinary course of business and on an arm's length basis to leverage scale, size and to drive operational synergies, at the same time ensuring that transactions with Related Parties are, fully compliant with applicable Regulations. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

3. DEFINITIONS

“Act” means Companies Act, 2013 and rules made thereunder, as amended 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.

“Associate Company” In terms of Section 2(6) of the Companies Act, 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. For the purposes of this term 'Associate Company', "significant influence" means control of at least twenty per cent of voting power, or control or participation in business decisions under an agreement.

“Audit Committee” means the committee of Board of Directors constituted in accordance with the provisions of Companies Act, 2013 and Rules made thereunder.

“Board” means Board of Directors of the Company.

“Company” means SEWA Grih Rin Limited.

Directors” means Directors appointed by the Board including executive, non-executive and independent directors.

“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 the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

“Control” shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

“Key Managerial Personnel” or **“KMP”** means the following key managerial personnel:

- a. Chief Executive Officer and / or Managing Director or Manager of the Company;
- b. Chief Financial Officer of the Company;
- c. Company Secretary of the Company;
- d. Whole Time Director of the Company;
- e. Chief Operating Officer; and
- e. Such other officer of the Company as may be decided by the Nomination and Remuneration Committee.

“Independent Director” means a director referred to in Section 149 (6) of the Companies Act, 2013.

“Material Related Party Transaction” means a transaction with a related party if the transaction / transactions 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.

“NHB Guidelines” means and includes NHB Act, 1987, NHB Directions, 2010, NHB Notifications, Circulars and others such communications thereto.

“Policy” means Related Party Transaction Policy.

“Related Party” means related party as defined under Section 2(76) of the Companies Act, 2013.

Related Party with reference to a company means –

- (i) a director or his/her relative;
- (ii) key managerial personnel or his/her relative;
- (iii) a firm, in which a director, manager or his/her relative is a partner;
- (iv) a private company in which a director or manager or his/her relative is a member or director;
- (v) a public company in which a director or manager is a director and holds along with his/her relatives, more than 2% 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 sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) any body-corporate which is –
 - (A) a holding, subsidiary or an associate company of such company;
 - (B) a subsidiary of a holding company to which it is also a subsidiary; or
 - (C) an investing company or the venturer of the company (Explanation- for the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

- (ix) such other person as may be prescribed; Rule 3 of the Companies (Specification of definitions details) Rules, 2014, provides that a director other than Independent Director or key managerial personnel of the holding company or his relative with reference to a company shall be deemed to be a related party.

“Related Party Transaction” means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

“Relative” In terms of Section 2(77) of the Companies Act, 2013 read with the Companies (Specification of definitions details) Rules, 2014 a person is said to be a relative of another, if –

- a. They are members of a Hindu undivided family;
- b. They are husband and wife;
- c. Father (including step-father);
- d. Mother (including step-mother);
- e. Son (including step-son);
- f. Son’s wife;
- g. Daughter;
- h. Daughter’s husband;
- i. Brother (including step-brother); or
- j. Sister (including step-sister)

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 or NHB Act, 1987, NHB Directions, Notifications, Circulars or guidelines as may be amended from time to time shall have the meaning respectively assigned to them therein.

PART-B

TERMS OF THE POLICY

1. All the Related Party Transactions proposed to be entered into by the Company shall require the prior approval of the Audit Committee, including those transactions proposed to be entered in the ordinary course of its business.
2. Related Party Transactions that are not in ordinary course of business but on arm's length basis should be approved by Audit Committee. Where such Related Party Transactions fall under Section 188 (1) of the Act, the Audit Committee shall recommend the transaction for approval of the Board.

Related Party Transactions that are not on arm's length basis, irrespective whether those are covered under Section 188 or not, should be placed by the Audit Committee, along with its recommendations, to the Board for appropriate action.

3. All the Material Related Party Transactions and Related Party Transactions which are either not in the 'Ordinary Course of Business' or are not at 'arm's length price' and exceeds the threshold under section 188 of the Companies Act, 2013 shall require prior approval of Audit Committee, the Board and the shareholders through special resolution and the related parties shall abstain from voting in such resolution exceeding the threshold limits whether or not in the ordinary course of business of the Company or on an arm's length basis, shall require prior approval of the
4. Audit Committee, the Board and the shareholders of the Corporation by way of Special Resolution and the related parties shall abstain from voting in such resolution.
5. However, it is clarified that all Related Party Transactions exceeding the threshold limits prescribed under Rule 15(3) of Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014, which are in the ordinary course of business and on an arm's length basis, will only require the prior approval of the Audit Committee.

PART-C
GOVERNANCE STRUCTURE

Dealing with Related Party Transactions

Related Party Transactions are prohibited, unless approved or ratified by the Audit Committee and / or the Board of Directors of the Company in accordance with this policy. In dealing with Related Party Transactions, the Company will follow the following approach:

a. Identification of Potential Related Party Transactions

1. In terms of **Section 188 (1)** of the Companies Act, 2013, the Company cannot enter into any contract or arrangement with a Related Party, without the consent of the Board with respect to the following contracts/ arrangements viz.

- 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, property;
- f. appointment to any office or place of profit in the company
- g. underwriting the subscription of any securities or derivatives thereof, of the company

In relation to the above, the expression “office or place of profit” has been explained to mean any office or place—

- i. where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he/she is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- ii. where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

2. In terms of the third proviso to Section 188(1) of the Companies Act, 2013, the consent of the Board and the shareholders of the Company will not be required in case any of the aforementioned transactions entered into by the Company are in the ordinary course of business and on an arm’s length basis.

3. All related party transaction shall require prior approval of the Audit Committee / Board/ Shareholder as applicable, however, in cases where transaction has been done whether inadvertently or due to requirement of urgency the Audit Committee / Board may ratify the decision. However, this ratification should be done within 3 months of the contract having taken place otherwise the transaction shall be voidable at the option of Board / Committee.

4. While considering any transaction, the Committee / Board shall take into account all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. No member of the Committee / Board shall be present during discussion, if he/she is a related party.
5. Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board shall record the disclosure of interest and /Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.
6. Any employee of the Company who is aware of any transaction that is or may be perceived to be a Related Party Transaction is required to bring the same to the attention of the Board/ Audit Committee of the Company.
7. The Related Party list shall be updated periodically and shall be reviewed by the Audit Committee/ Board at least once a year, in its first meeting after closing of the previous financial year.
8. The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Board/ Audit Committee has adequate time to obtain and review information about the proposed transaction.
9. The Audit Committee shall confirm to the Board whether the Related Party Transactions entered into by the Company during the period under consideration were on an arm's length basis and in the ordinary course of its business.

b. Related Party Transactions that shall not require Approval

1. All Related Party Transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:
 - (i) 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.
 - (ii) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;

Such omnibus approval shall specify:

- (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;
 - (f) such other conditions as the Audit Committee may deem fit
- (iii) 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.
- (iv) The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.
- (v) The omnibus approval shall contain or indicate the following:
- (a) name of the related parties;
 - (b) nature and duration of the transaction;
 - (c) maximum amount of transaction that can be entered into;
 - (d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
 - (e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:

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.

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

Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

Further, all Material Related Party Transactions shall require approval of the shareholders through special resolution and all entities falling under the definition of Related Parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

c. Review and Approval of Related Party Transactions

1. Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval including any amendment or modification to such transaction. Relevant information will be provided with respect to each Related Party Transaction as follows:

- (i) the name of the related party and nature of relationship;
 - (ii) the nature, duration of the contract and particulars of the contract or arrangement;
 - (iii) the material terms of the contract or arrangement including the value, if any;
 - (iv) any advance paid or received for the contract or arrangement, if any;
 - (v) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
 - (vi) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
 - (vii) any other information relevant or important for the Committee to take a decision on the proposed transaction.
2. Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.
3. In determining whether approval can be accorded to a Related Party Transaction, the Audit Committee will consider the following factors:
- (i) whether the transaction with the Related Party is in the ordinary course of business of the Company;
 - (ii) whether the terms of the Related Party Transaction are on arm's length basis;
 - (iii) whether there are any undue compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
 - (iv) whether the Related Party Transaction would affect the independence of any director / key managerial person.
 - (v) whether the proposed Related Party Transaction includes any potential reputational / regulatory risks that may arise as a result of or in connection with the proposed transaction; and
 - (vi) whether the Related Party Transaction would present an improper conflict of interest for any director or key managerial personnel of the Company, taking into account the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of interest of the Related Party in the transaction and such other factors as the Audit Committee deems relevant.
4. If the Audit 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.

d. Material Related Party Transaction

All Material Related Party Transactions shall be placed for prior approval of shareholders through Special Resolution.

e. Amendments to the Policy

The provisions of this policy shall be subject to the provisions of the Act & NHB guidelines and rules and regulations made thereunder.

The Audit Committee of the Company shall review and may recommend amendments to this policy to the Board for approval from time to time.

Any or all provisions of this policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications, etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions hereunder and this policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.