

## LIC Housing Finance Limited

### Related Party Transaction Policy and Procedures

#### Policy:

LIC Housing Finance Limited recognises that related party transactions present a potential or actual risk of conflicts of interest (or the perception thereof) and therefore the Company has adopted this policy, under which all Related Party Transactions will be subject to approval or ratification in accordance with the procedures set forth in this policy.

#### Definitions:

Related Party: [section 2(76)]

With reference to company, Related Party would mean and include the following:

- i) A director or his relative;
- ii) Key Managerial Personnel or their 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 is a director or holds alongwith his relatives, more than 2% of its paid-up share capital;
- v) A person on whose advice, directions or instruction (except given in professional capacity) a director or manager is accustomed to act;
- vi) A holding / subsidiary or associate company, subsidiary's subsidiary and such person as would be prescribed.

Relative: [section 2(77)]

For the purposes of this policy and pursuant to Rule 4 of the Companies (Specification of Definitions, Details) Rules, 2014 provides that a person shall be deemed to be the relative of another if he or she is related to another in the following manner, namely:

- i) Father (including step father);
- ii) Mother (including step mother);
- iii) Son (including step-son);
- iv) Son's wife;
- v) Daughter;
- vi) Daughter's husband;
- vii) Brother (including step-brother);
- viii) Sister (including step-sister).

Related Party Transaction [section 188] liable to be treated as Related Party Transactions is as set below:

- Sale, purchase or supply of any goods or materials;
- Selling or otherwise disposing of, or buying, property of any kind;
- Leasing of property of any kind;
- Availing or rendering of any services;
- Appointment of any agent for purchase or sale of goods, materials, services or property;

- Such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company;
- Underwriting the subscription of any securities or derivatives thereof, of the company;

Key Managerial Personnel: [section 2(51)]

In relation to a company, Key Managerial Personnel means the following:

- i) The Chief Executive Officer or the Managing Director or the Manager;
- ii) The Company Secretary; iii) The Whole-time director; iv) The Chief Financial Officer;
- v) And such other officer as may be prescribed.

For the purpose of this policy, a Related Party Transaction is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which the Company (including any of its subsidiaries or associate) was, is or will be a participant and the amount involved exceeds 10% of the networth or 10% of turnover and in which any Related Party (as defined above) had, has or will have a direct or indirect interest.

*It may be mentioned here that the word 'material' is omitted from this definition so that the Audit Committee can assess the materiality of a Related Party's interest in the transaction, rather than management or employees in their determination of whether a transaction fall under the policy.*

*While the Audit Committee has historically monitored related party transaction, Company may determine that their Nomination and Remuneration Committee may be better suited to administer this policy, atleast with respect to directors, as these matters are relevant to the independent determinations.*

#### **Procedures:**

The Audit Committee of the Board of Directors of the Company will review the relevant facts and circumstances of each Related Party Transaction, including if the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party and the extent of the Related Party's interest in the transaction, take into account the conflicts of interest and either approve or disapprove the Related Party Transaction. Any Related Party Transaction that would be entered into and would continue only if the Audit Committee has approved or ratified such transaction in accordance with the guidelines set forth in this policy. If advance approval of a Related Party Transaction requiring the Audit Committee's approval, is not practicable, then the transaction may be preliminarily entered into by management **subject** to ratification of the transaction by the Audit Committee at the Audit Committee's next regularly scheduled meeting; provided that if ratification will not be done, management will make all reasonable efforts to cancel or annul such transaction.

All Related Party Transactions shall require 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 conditions:

- a. The Audit Committee shall laydown the criteria for granting 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 the following:
  - Name(s) of the Related Party;
  - Name of the transaction;
  - Maximum amount of transaction that can be entered into;
  - The indicative base price / current contracted price and the formula for variation in the price, if any, and;
  - Such other conditions as the Audit Committee may deem fit.
- d. In such cases where the need for Related Party Transactions cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding the limits, as mentioned in the Companies Act, 2013 and the rules thereunder as amended from time to time, per transaction;
- e. The Audit Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given;
- f. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

The Audit Committee will have the discretion to recommend / refer any matter relating to the Related Party Transactions to the Board for the approval.

Management will present to the Audit Committee each proposed Related Party Transaction, including all relevant facts and circumstances, and will update the Audit Committee as to any material changes to an approved or ratified Related Party Transaction and will provide a status report annually at a regularly scheduled meeting of the Audit Committee, of all then current Related Party Transactions.

No director shall participate in approval of a Related Party Transaction for which he or she is a Related Party.

#### **Approval of Board of Directors:**

All the Related Party Transactions under section 188 of the Companies Act, 2013 shall be approved by the Board of Directors of the Company, however this provision will not apply to the transactions entered into by the Company in its ordinary course of business other than transactions which are not on an arm's length basis.

#### **Factors / Criteria to be considered while granting approval to Related Party Transactions:**

The Audit Committee / Board will consider the following factors, among others, to the extent relevant to the Related Party Transactions while granting its approval:

- a. Whether the terms of the Related Party Transaction are fair and on arms length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;

- b. Whether there are any compelling business reasons for the Company to enter into a Related Party Transaction and the nature of alternative transactions, if any;
- c. Whether the Related Party Transaction would affect the independence of an independent director;
- d. Whether the transaction qualifies to be a transaction in ordinary course of business;
- e. Whether the proposed transaction includes any potential risk issues that may arise as a result of or in connection with the proposed transaction;
- f. 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 terms and size of the transaction, the purpose and timing of the transaction, the overall financial position of the director or other Related Party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of the any proposed relationship and any other factors the Board / Committee deems relevant.

**Pre-Approved Transactions:**

The Audit Committee has reviewed and pre-approved each of the following types of Related Party

Transactions, which will be deemed to be approved or ratified, as applicable under this policy:

- 1. Managerial Remuneration
  - a) To Managing Director & CEO if the remuneration is required to be reported / circulated to the shareholders pursuant to requirement of the Companies Act, 2013 and such remuneration has been approved, or recommended to the Company's Board of Directors for approval, by Nomination and Remuneration Committee of the Board of Directors of the Company; **or**
  - b) To Key Managerial Personnel if the remuneration is required to be reported / circulated to the shareholders pursuant to requirement of the Companies Act, 2013 and such remuneration has been approved, or recommended to the Company's Board of Directors for approval, by Nomination and Remuneration Committee of the Board of Directors of the Company.
- 2. Transactions that are in the Company's ordinary course of business such as the following:
  - a) Borrowing or Raising of funds in the nature of NCD, Bonds (Tier I or II, subordinate etc) for business of the company from the promoter, repayment / payment of interest or principal towards secured or unsecured loans. Issue of equity shares, PTC and payment of interest or other return on such subscription.

3. Transactions that are in the nature of payment of rent, dividend, reimbursement of municipal taxes, reimbursement of electricity expenses, reimbursement of gratuity for staff on deputation from promoter, payment for staff training, conference and towards renovation and repairs either to promoter or subsidiary or associate.

**Disclosure:**

All Related Party Transactions are to be disclosed in the Company's applicable returns / report as required by the Companies Act, 2013, Listing Agreement. Furthermore, any material Related Party Transactions will be disclosed to the Board of Directors.

**Other Agreements:**

Management will assure that all Related Party Transactions are not in violation of and are approved in accordance with any requirements of the Company's financing or other material agreements.

**Review & Monitoring of Related Party Transactions:**

The Audit Committee may review and monitor a Related Party Transaction taking into account 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. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy, subject to compliance with the requirements of the Companies Act, 2013 and Listing Regulations.

**Interpretation:**

This policy is intended to comply with the requirement of the Companies Act, 2013, and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time. Notwithstanding anything herein to the contrary, this policy will be interpreted only in such a manner as to comply with the requirement of the Companies Act, 2013 with the Rules thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 along with any amendments notified thereafter.