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Policy on Related Party Transactions

(Version 1.0)

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Contents:

1. Introduction
2. Objective
3. Effectiveness
4. Definitions
5. Terms of the Policy
6. Approval procedure of Related Party Transaction
7. Omnibus Approval of Related Party Transactions
8. Review and approval of Related Party Transactions by Board of Directors and Shareholders
9. Disclosures
10. Related Party Transactions not approved under this policy
11. Amendments

POLICY ON RELATED PARTY TRANSACTIONS

1. Introduction

Policy on Related Party Transactions is prepared in terms of provisions of Companies Act, 2013 This policy aims to regulate transaction between Company and its Related Parties in light of regulatory environment.

2. Objective

Purpose of this policy is to lay down the procedures and disclosures with regard to Related Party Transactions and thereby ensuring transparency between such transactions

3. Effectiveness

This policy shall come into effect from the date of approval by the Board of Directors of the Company or any committee of the Board to which power has been delegated.

4. Definitions

- **“Act”** means the Companies Act, 2013 and rules made thereunder and includes any amendment(s)/modification(s) thereof.
- **“Arms Length Transaction”** as defined u/s 188 of the Companies Act, 2013 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 Committee of Board of Directors of the Company constituted as per the provisions Section 177 of the Companies Act, 2013.
- **“Board”** means Board of Directors of the Company.
- **“Company”** means ITI Housing Finance Limited
- **“Key Managerial Personnel”** as defined u/s 2(51) of the Companies Act, 2013 in relation to a company, means—
 - (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) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and

(vi) such other officer as may be prescribed

➤ **“NHB Regulation”** means Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 issued by the National Housing Bank including any amendment thereof.

➤ **“Policy”** means Policy on Related Party Transactions.

➤ **“Related Party”** with reference to a company u/s 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 1[or his relative] is a member or director;

(v) a public company in which a director or manager is a director 2[and 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 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;

➤ **"Relative"** with reference to any person u/s 2(77) of the Companies Act, 2013 means any one who is related to another, if—

(i) they are members of a Hindu Undivided Family;

(ii) they are husband and wife; or

(iii) one person is related to the other in such manner as may be prescribed pursuant to Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014

➤ **“Related Party Transactions” shall mean to include**

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 in any financial year;

contract or arrangement entered into with a related party with respect to—

(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) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and

(g) 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 Act

5. Terms of the Policy

- All the Related Party Transactions proposed to be entered by the Company shall require approval of the Audit Committee including the transactions to be entered not 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 of Act including any amendment(s) / modification (s) thereto.
- 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.
- All Related Party Transactions as defined under the Section 188 (1), exceeding the threshold limits prescribed under rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 (or any amendment thereto), shall require prior approval of the Audit Committee, Board of Directors and Shareholders of the Company by way of a Special resolution.

6. Approval procedure of Related Party Transactions

- Every potential Related Party Transaction shall be reviewed by Audit Committee on quarterly basis to ensure that no conflict of interest exists and evaluate it from the perspective of Arms' Length Pricing and is subject to the prior approval of the Audit Committee whether at a meeting or by resolution by way of circulation.
- Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval 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/review of supporting documents.

- Upon completion of its verification/review of the transaction, the Audit Committee may determine whether to allow or disallow from entering into the Related Party Transaction. The Audit Committee shall also have the right to suggest any modification(s) in the proposed related party transaction.

7. Omnibus Approval of Related Party Transactions

- The Audit Committee may grant omnibus approval, pertaining to the transactions in the nature of ordinary course of business or repetitive in nature or with respect to such ceiling approval and that such approval is in the best interest of the company. Such omnibus approval shall be in accordance with the provisions of Act and shall specify the conditions/criteria on the basis of which approval has been granted. The omnibus approval shall provide name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into in a financial year.
- Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to omnibus approval given.
- Such approval granted will be valid for the period not exceeding one year and shall be ratified by the board at the next board meeting.

8. Review and approval of Related Party Transactions by Board of Directors and Shareholders

- 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 along with all the relevant information/ documents pertaining to the same which may include Nature of the transaction, Key terms, Key covenants, Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction.

- 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/documents 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 along with all the relevant information/documents pertaining to the same, as per the appropriate regulatory provisions.

9. Disclosures

- The Company shall disclose Related Party Transactions in the Financial Statements and Annual Report of the Company in accordance with Act, Accounting Standards, and NHB Regulation. It shall also put up Policy Related Party Transactions on the website of the Company and make a disclosure in the Annual Report/Financial Statements of the Company on annual basis.
- 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 Act.

10. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of 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 Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation 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/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

11. Amendments

- The Audit Committee and Board of Directors shall once in two years review the policy and propose modifications/ amendments, if deemed necessary, to this policy.
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