

**RELATED PARTY TRANSACTION POLICY**

**1. INTRODUCTION**

The Companies Act, 2013 (Act) read with the Companies (Meetings of Board and its Powers) Rules, 2014 introduced specific provisions relating to Related Party transactions and defined the term related parties, (material) related party transactions, relatives and key management personnel. The Act and the Rules have also laid down the financial limits and the approval process for such transactions.

Accordingly, the Board of Directors (the "Board") of Supreme Housing Finance Limited (the "Company" or "SHFL"), has adopted a policy and standard operating procedures to regulate transactions between the Company and Related Parties.

**2. APPLICABILITY**

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions. Transactions covered by this policy include any contract or arrangement with a Related Party with respect to transactions defined hereunder as "Related Party Transaction".

**3. SCOPE AND PURPOSE**

This policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its Related Party in the best interest of the Company and its Stakeholders. Provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws. This Policy shall supplement the Company's other policies in force that may be applicable to or involve transactions with related persons. Further, the Board may amend this policy from time to time as may be required. The Audit Committee of Directors ("Audit Committee"), shall review, approve and ratify Related Party Transactions based on this Policy in terms of the requirements under the above provisions.

**4. DEFINITIONS**

**"Arm's length Transactions"** means a transaction between two Related Parties that is conducted as if they are unrelated, so that there is no conflict of interest.

**"Audit Committee or Committee"** means Committee of Board of Directors of the Company constituted under provisions of Companies Act, 2013.

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**"Board"** means the Board of Directors of Supreme Housing Finance Limited, as constituted from time to time.

**"Company"** means a company incorporated under the Companies Act, 2013 or under any previous company law.

**"Key Managerial Personnel"** in relation to company means key managerial personnel as defined under Section 2 (51) of the Companies Act, 2013 and includes

- i. Managing Director, or Chief Executive Officer or manager and in their absence, a whole time director;
- ii. Company Secretary;
- iii. Chief Financial Officer; and
- iv. Such other as may be prescribed.

**"Ordinary course of Business"** means a transaction which is: -

- i. Carried out in the normal course of business envisaged in accordance with Memorandum of Association of the Company as amended from time to time;
- ii. Historical practice with a pattern of frequency; or
- iii. Common commercial practice; or
- iv. Meets any other parameters/criteria as decided by Board/Audit Committee.

**"Policy"** means Related Party Transaction Policy.

**"Related Party"** means Related Party as defined under Section 2(76) of the Companies Act, 2013, or under the applicable accounting standards, as amended from time to time.

**"Related Party Transaction"** "Related party transaction" means a transfer of resources, services or obligations between the company and a related party, regardless of whether a price is charged, including but not limited to the following:

- 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; and
- underwriting the subscription of any securities or derivatives thereof, of the company

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

**"Relative"** means relative as defined under Section 2(77) of the Companies Act, 2013, as amended from time to time.

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## **5. POLICY**

All Related Party Transactions must be reported to the Audit Committee for its approval in accordance with this Policy.

### **5.1 Identification of Potential Related Party Transactions**

- Each director and Key Managerial Personnel is responsible for providing Notice to the Company Secretary of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee and the Board. The Board shall record the disclosure of Interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.
- The Company strongly prefers to receive such notice of any potential Related Party Transaction at least 10 days in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

### **5.2 Review and approval of related party transaction by the Audit Committee**

- Every Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by circulation, except transactions with wholly owned subsidiaries which requires only approval (and not prior approval) of the Audit Committee.

Any member of the Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

- The Audit Committee of the Board will review and, if appropriate, approve Related Party Transactions. Accordingly, at first meeting of the Audit Committee in every financial year, management shall present to the Committee the following information with respect to all Related Party Transactions expected to be entered into during that calendar year:

- a) The name of the Related Party and nature of relationship.
- b) The nature, duration of the contract and particulars of contract or arrangement;
- c) The material terms of the contract or arrangement including the value, if any;
- d) Any advance paid or received for the contract or arrangement, if any;
- e) The manner of determining the pricing and other commercial terms both included as part of contract and not considered as a part of contract;
- f) 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;
- g) Any other information relevant or important for the Audit Committee to take a decision on

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the proposed transaction; and

i) any other information relevant or important for the Board to take a decision on the proposed transaction.

• In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant and grant an omnibus approval to the Related Party Transaction which are repetitive in nature and proposed to be entered into by the company:

- i. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company
- ii. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- iii. Audit Committee may refer related party's transactions issued by ICAI as per AS-18.

• 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.

***Omnibus approval shall not be given for transactions in respect of selling or disposing of the undertaking of the Company.***

• If any material information with respect to such transactions shall change subsequent to the Committee's review of such transactions, management shall provide the Committee with updated information at a subsequent meeting and will get the changes approved afresh by the Committee.

• If any additional Related Party Transactions are proposed to be entered into subsequent meeting to the Committee's first meeting in the financial year, management shall present such transactions to the Committee for approval Related Party Transactions Policy

• Audit Committee shall review, on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.

### **5.3 Approval of transactions by the Board of Directors**

• The Audit Committee or the Board shall, in respect of the related party transactions referred to them for approval, shall after considering the materials placed before them, shall judge if the transaction is the ordinary course of business or at arm's length basis. In case the Audit Committee is not able to arrive at such a decision, the same shall be referred to the Board, which shall decide if the transaction is the ordinary course of business or at arm's length basis.

• For transactions covered under Sec 188 of the Companies Act 2013 as stated below will require Board's approval if not at arm's length and not in the ordinary course of business:

a) sale, purchase or supply of any goods or materials;

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- 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 thereof, of the company;

### **5.4 Approval of transactions by the Shareholders**

All "Related Party Transactions which are not in Ordinary course of Business or not at an Arms' Length" and exceeding the prescribed criteria under Section 188 of the Act, shall require prior approval of the Shareholders' by means of an Ordinary Resolution passed at a General Meeting.

### **5.5 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 under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The 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 Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

## **6. DISCLOSURES**

The Company shall keep and maintain a register, maintained physically or electronically, as may be decided by the Board of Directors, giving separately the particulars of all contracts or arrangements to which this policy applies and such register is placed/taken note of before the meeting of the Board of Directors.

The register to be kept under this section shall also be produced at the commencement of every Annual General Meeting of the Company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting. The register shall be preserved permanently and shall be kept in the custody of the Company Secretary / Chief Financial Officer of the Company or any other person authorized by the Board for the purpose.

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**7. POLICY REVIEW AND AMENDMENTS**

The Board of Directors reserves the right and power to review and amend this policy from time to time as it may deem fit and necessary. Any exceptions to the Policy on Related Party Transactions must be consistent with the Companies Act 2013, and must be approved in the manner as may be decided by the Board of Directors.