

# Vridhi Finserv Home Finance Limited (VFHFL) (Formerly Vridhi Finserv Limited)

## RELATED PARTY TRANSACTIONS POLICY

Version V2.0

<b>Approving Authority</b>	Board of Directors
<b>Reviewing Authority</b>	Compliance Department
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## 1. Background

**Vridhi Finserv Home Finance Limited** (hereinafter referred to as “Vridhi” or “the Company” or “HFC” or “VFHFL”) is a Public Limited Company incorporated under the provisions of the Companies Act, 2013 (“Act”) and registered as a Housing Finance Company (“HFC”) with RBI & the National Housing Bank (“NHB”).

As HFCs registration has moved from NHB to RBI, the Reserve Bank of India’s (“RBI”) Master Direction - Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 (‘RBI Master Directions’) applies to all HFCs. This Policy is prepared in line with the said RBI Master Directions due to the onset of change in regulations for HFCs.

## 2. Policy Scope & Objectives

With this Policy, the Company intends to define a governance framework for proper approval and reporting of transactions entered between the Company and its Related Parties.

The Policy has been framed with the objective of ensuring compliance with the provisions pertaining to Related Party Transactions (‘RPT’) under the Companies Act, 2013 (“Act”), the Rules made thereunder, IND AS-24 or applicable Accounting Standards issued by the ICAI and the applicable provisions of the RBI Master Directions.

This Policy is prepared with following objectives:

- To regulate and control RPT as intended under the Act/RBI Master Directions;
- To ensure that there is a proper system of approval for RPT;
- To ensure disclosure of the RPT entered between the Company and its related parties and improve corporate governance;
- To ensure transparency regarding such transactions; and

All RPTs should be reported to the Audit Committee and referred for approval to the relevant authorities in accordance with this Policy.

## 3. Definitions

S.No	Particulars	Meaning
1.	Act	shall mean the Companies Act, 2013 and rules made thereunder and includes any amendment or modification thereof.
2.	Arms’ Length Transaction	In pursuance of explanation (b) to section 188(1) of the Act shall mean a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

S.No	Particulars	Meaning
3.	Audit Committee or Committee	shall mean a committee of the Board of Directors of the Company constituted under provisions of the HFC Directions and Section 177 of the Companies Act, 2013.
4.	Board	shall mean the Board of Directors of the Company constituted under provisions of the Companies Act, 2013.
5.	Company	shall mean Vridhi Finserv Home Finance Limited.
6.	Key Managerial Personnel	shall mean key managerial personnel as defined under the Companies Act, 2013 and includes <ul style="list-style-type: none"> <li>● Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-Time Director;</li> <li>● Chief Financial Officer; and</li> <li>● Company Secretary.</li> </ul>
7.	Material Related Party Transaction	a transaction with a Related Party shall be considered material 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 turnover of the Company as per the last audited financial statements of the Company or such limits as may be prescribed either in the Companies Act, 2013 or other applicable regulatory directions, from time to time. Provided that in case of any amendment to the Act or applicable directions, rules and regulations, definition of Material transactions will be deemed to be changed without any further approval of the Audit Committee or Board.
8.	<b>Policy</b>	shall mean the Policy on dealing with Related Party Transactions
9.	<b>Related Party/RP</b>	An entity shall be considered as related to the Company if such entity/person is a related party as per Section 2(76) of the Companies Act, 2013 as per below definition: <ul style="list-style-type: none"> <li>● Director or a KMP or their relatives, or</li> <li>● a Firm, in which a director, manager or his relative is a partner,</li> <li>● a Private Company in which a director or manager or his relative is a member or director,</li> <li>● a Public Company in which a director or manager is a director and holds along with his relatives, more than 2% of its paid-up share capital,</li> <li>● 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 and</li> <li>● any Person on whose advice, directions or instructions a director or manager is accustomed to act as related party transactions.</li> <li>● any Body Corporate which is:               <ul style="list-style-type: none"> <li>➤ holding, subsidiary or an associate company of such</li> </ul> </li> </ul>

S.No	Particulars	Meaning
		<p>company</p> <ul style="list-style-type: none"> <li>➤ a subsidiary of a holding company to which it is also a subsidiary</li> <li>➤ an investing company or the venture of the company</li> <li>● a director (other than an independent director) or KMP of the holding company or his relative</li> </ul> <p>Such entity is a related party under the IND AS 24 or applicable Accounting Standards issued by the ICAI</p>
10.	<b>Related Party Transaction/RPT</b>	shall mean all transactions between the Company on one hand and one or more related party on the other hand including contracts, arrangements and transactions as envisaged in Section 188(1) of the Companies Act, 2013 and/ or IND AS 24 or applicable Accounting Standards issued by the ICAI
11.	<b>Relative</b>	<p>As per section 2 (77) of the Companies Act, 2013, with reference to any person, shall be deemed to be relative of another, if he or she is related to another in the following manner, namely:</p> <ol style="list-style-type: none"> <li>a. Father, including step-father;</li> <li>b. Mother, including step-mother;</li> <li>c. Son, including step-son;</li> <li>d. Son's wife;</li> <li>e. Daughter;</li> <li>f. Daughter's husband;</li> <li>g. Brother, including step-brother;</li> <li>h. Sister, including step-sister;</li> <li>i. are members of a Hindu Undivided Family;</li> <li>j. They are Husband and wife.</li> </ol>

#### 4. Identification Of Potential Related Party Transactions

- Every director and Key Managerial Personnel (KMP) shall, at the time of appointment, annually and whenever there is any change in the information already submitted, provide requisite information in Form MBP-1 about all persons, firms, entities in which he is interested whether directly or indirectly along with the list of relatives to the Company Secretary.
- For identification of the Related Parties, a Related Parties list will be prepared based on intimations received from the Directors/KMPs or changes in management or shareholding structure from time to time. The updated RP List will be shared with all relevant functions and shall be referred for monitoring of the transactions and ensuring compliance at their end.
- Each director and Key Managerial Personnel shall be 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. The Board/Audit Committee will determine if the transaction constitutes a Related Party Transaction requiring compliance with this Policy.

- Identify the Ordinary Course of Business in relation to Company in accordance with Para 7 below.
- The Company's directors and KMP shall endeavor to intimate such notice of any potential Related Party Transaction well in advance as may determine by the Audit Committee, so that the Audit Committee/the Board has adequate time to obtain and review information about the proposed transaction. All Related Party Transactions for the period will be placed for approval/noting/ratification by the Board of Directors/Audit Committee, in accordance with this Policy. To review a Related Party Transaction, the Board/Audit Committee will be provided with all the relevant information as mentioned in the Act pertaining to the Related Party Transaction, including the name of the related party, the nature of the relationship, nature of the transaction, whether the transaction is in the 'Ordinary Course of Business', whether the transaction is at 'Arm's Length' and any other matter, as may be required.

## 5. Approving Authorities

- **Audit Committee:** Any transaction or any subsequent modification of transactions of the Company with related parties shall require prior approval of the Audit Committee at a Meeting of the Audit Committee or by passing Resolution through Circulation. In the event the Company Management determines that it is impractical or undesirable to wait until a meeting of the Committee to enter into an RPT, such transaction may be approved by the Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force. Any such approval must be ratified by the Committee at its next scheduled meeting.
- **Board of Directors:** All RPTs which are not an Arm's Length or not in the ordinary course of business shall require the prior approval of the Board of Directors at a Meeting of the Board and cannot be passed by Circulation. In addition, it should be noted that:
  - a) The matters are to be placed before the Board under Rule 15(1) of MBP Rules.
  - b) Interested Director cannot vote on the RPT resolutions.
- **Shareholders:** All RPTs which are not at an Arms' Length or not in the ordinary course of business 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. In addition, it should be noted that:
  - a) The matters are to be placed before the Shareholders under Rule 15(3) of MBP Rules.
  - b) Materiality thresholds under Rule 15(3) of MBP Rules.

## 6. Prior Approval Required for Related Party Transactions And Omnibus Approval

All RPTs defined/stipulated under the Companies Act 2013, shall require prior approval from the Audit Committee. For any ratification or exception, parameters mentioned in this Policy shall be followed.

The Audit Committee may grant omnibus approval, on an annual basis, for RPTs proposed to be entered into by the Company subject to the following conditions:

1. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are foreseeable and repetitive in nature;
2. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
3. Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price/current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit;
4. The omnibus approval shall be valid for one year as per rule 6A of the Companies (Meeting of Board and its Power) Rules, 2014.

Provided that where the need for RPT 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 (Rupees One Crore Only) per transaction.

Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company and/or any other transaction the Audit Committee may deem not fit for omnibus approval.

Additionally, other RPTs prescribed under the IND AS 24 or applicable Accounting Standards issued by the ICAI shall be presented to the Audit Committee for its review and noting.

## **7. Ordinary Course of Business**

The phrase "Ordinary Course of Business" has not been defined under the Act or Rules made thereunder. However, the Company shall ask the Audit Committee for a reasonable approach/methodology to demonstrate 'Ordinary Course of Business' which shall, inter alia, include the Nature of the transaction, the frequency/regularity/length of time the company is engaged such transaction, or transactions permitted by the Object Clause in the Memorandum of Association of the Company or such transaction/action is consistent with the past practices and was taken in the ordinary course of the normal day-to-day operations of such Company, common commercial practice i.e. customarily taken, in the ordinary course of the normal day-to-day operations of other companies that is in the same/similar line of business.

## **8. Arm's Length Pricing**

For transactions between two related parties to be considered to be at Arm's Length Pricing, the transaction should be conducted between the two parties as if the parties were unrelated, so that there is no conflict of interest i.e. Arm's Length Pricing is the condition or the fact that the two related parties transact as independent (un-related) parties and on an equal footing from one or more of the following aspects viz. nature of goods/services, risk assumed, assets/resources employed, key terms/covenants.

## 9. Review And Approval of Related Party Transactions

RPTs will be referred to the next regularly scheduled meeting of the Audit Committee for review/noting and/or approval as above. Any member of the Committee who has a potential interest in any RPT will exclude himself or herself and abstain from discussion and or voting on the approval of the RPT. To review an RPT, the Committee will be provided with all relevant material information of the RPT as required under the Act, including the terms of the transaction, business purpose of the transaction, benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve an RPT, the Committee may consider the following factors, among others, to the extent relevant to the RPT:

1. Whether the terms of the RPT 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;
2. Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any;
3. Whether the RPT would affect the independence of an independent director;
4. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
5. Whether the Company was notified about the RPT before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
6. Whether the RPT 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 director, Executive Officer 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 any proposed relationship and any other factors the Board/ Committee deems relevant.

If the Audit Committee determines that an RPT should be brought before the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law for Board to approve the RPT, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary. Further, the Audit Committee shall review, at least on a yearly basis, the details of RPT entered by the Company pursuant to each of the omnibus approval given.

Notwithstanding the foregoing, the following RPTs shall not require approval of the Audit Committee:

- Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.



Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

#### **10. Related Party Transactions Not Approved Under This Policy**

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting under sub-section (1) and if it is not ratified by the 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 or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders 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.

Without prejudice to anything contained in sub-section (3), it shall be open to the company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement

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 Audit Committee. The Audit Committee shall consider the relevant facts and circumstances regarding the RPT and failure to report such RPT. The Committee, while deciding on the matter, shall evaluate all options available to the Company, including ratification, revision or termination of the RPT and shall take any such action it deems appropriate including immediate discontinuation or rescission of the transaction. The Audit Committee, while considering the RPT, will have authority to modify or waive any procedural requirements of this Policy subject to compliance of applicable statutory provisions for the time being in force.

#### **11. Internal Process Framework**

The Audit Committee shall monitor the internal process framework including evaluation of internal financial controls and risk management systems to ensure requisite approvals/noting of all RPT to comply with this Policy.

#### **12. Communication To All the Directors And Concerned Employees**

The relevant aspects of this Policy will be communicated to all the directors and concerned employees/officials of the Company and policy will be published on the website of the Company.

#### **13. Disclosure**

RPT which are not on arm's length basis or are Material RPT's entered into by the Company shall be referred to in the Board's report in Form AOC 2 to the shareholders along with justification for entering into such transaction. The Company Secretary and/or the Chief Financial Officer shall be responsible for such disclosure. The Company Secretary shall also make necessary entries in the Register of Contracts required to

be maintained under the Companies Act, 2013. The Company shall also disclose the RPT in accordance with the Master Directions. Further, the Company shall also disclose the RPT in accordance with the RBI Circular on Disclosures in Financial Statements- Notes to Accounts of NBFCs.

**14. Approval & Review**

The Board of Directors of the Company approved this Policy to define and lay down the procedures based on applicable laws or regulatory directions to be adopted by the Company while dealing with a related party and entering into a transaction with a related party.

The Board of Directors or the Audit Committee of the Board may review and may amend this policy annually and as and when required by the applicable laws, rules and regulations.

**15. Disclaimer**

While this policy has been made as informative as possible and structured to ensure quick and easy interpretation by all. As and when there’s an amendment to this policy, the updated policy document will be shared through the appropriate channel of communication.

In case of any ambiguity related to understanding of this policy, the final interpretation by the management will be considered as applicable in broad intent of the policy.

**16. Change control record**

Version No.	Change Request by	Memorandum of Change	Approval date
V2.0	Compliance Department	-	28 <sup>th</sup> September 2023