FAMILY HOME FINANCE PRIVATE LIMITED

POLICY ON MATERIALITY AND DEALING WITH RELATED PARTY TRANSACTIONS

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FAMILY HOME FINANCE PRIVATE LIMITED

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1. PREAMBLE:

Family Home Finance Private Limited (the "Company" or "FHFPL") has adopted the following policy and procedures with regards to Related Party Transactions as defined below. This policy will be applicable to all the related party transactions entered by the Company. This policy is to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable on the Company.

2. PURPOSE AND OBJECTIVE OF THIS POLICY:

This Policy is framed as per the requirement of Section 188 of the Companies Act, 2013. The Policy intends to ensure the proper approval and reporting of the transactions between the Company and its Related Parties. The Company has so far been in compliance with various laws and regulations in this regard and ensured that such transactions are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties. The Policy shall apply to all Related Party Transaction(s), unless the transaction is exempt.

This Policy may be amended from time to time and is subject to (i) Amendments to the Companies Act, 2013; (ii) Consequential actions taken by the Board of Directors or the AuditCommittee of the Company.

3. DEFINITIONS:

i. **"Act"** means the Companies Act, 2013 read with rules made thereunder [including any amendments or re-enactments thereof].

ii. **"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.

iii. **"Audit Committee or Committee"** means Committee of Board of Directors of the Company constituted under Section 177 of the Companies Act, 2013.

iv. **"Board"** means Board of Directors of the Company.

v. "**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 shareholder agreements or voting agreements or in any other manner.

vi. **“Key Managerial Personnel”** means key managerial personnel as defined under the Companies Act, 2013 and includes:-

(i) Managing Director, or Chief Executive Officer or Manager
(ii) Whole-time Director;
(iii) Company Secretary;
(iv) 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

vii. **“Ordinary course of business”** a transaction entered into by the company which is not in an extra-ordinary course or in an unusual or abnormal nature, but in the regular routine of the business and includes all such activities which the company can undertake as per Memorandum & Articles of Association.

viii. **“Policy”** means Policy on Materiality and Dealing with Related Party Transactions

ix. **“Related Party”** means related party is as follows:
a) Such individual(s)/ entity(ies) is/are related party under Section 2(76) of the Act read with the rules framed thereunder
. b) Such individual(s) /entity(ies) is/are a related party under the applicable accounting standards

x. **“Related Party Transaction”** means any transaction 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.

Explanation – A “*transaction”* with a related party shall be construed to include single transaction or a group of transactions in a contract.

xi. **“Relative”** means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed there under

Wherever appropriate in this Policy, a singular term shall be construed to mean plural where necessary and a plural term singular. Similarly, any masculine term shall also be construed to mean the feminine or any other gender and vice versa.

4. POLICY:

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy. All Related Party Transactions shall require prior approval of Audit Committee. Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions. Further, all Material Related Party Transactions shall require approval of the shareholders through special resolution.

A. IDENTIFICATION AND NOTIFICATION OF RELATED PARTY TRANSACTIONS:

i. Every Director or Key Managerial Personnel shall, within a period of thirty days of his/her appointment, or relinquishment of his/her office, as the case may be, disclose to the Company the particulars relating to his concern or interest in the other associations/entities.

ii. In accordance with the provisions of Section 184 of the Act , every Director shall at the first meeting of the Board in which he participates as a Director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board Meeting held after such change, disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding.

iii. Each Director and Key Managerial Personnel and other related party shall promptly notify the Company Secretary of any material interest that such person or relative of such person had, has or may have in a proposed Related Party Transaction. The notice shall include a description of the transaction and the aggregate amount.

iv. Where any Director / KMP of the Company, who is not so concerned or interested at the time of entering into such contract or arrangement, shall become concerned or interested after the contract or arrangement is entered into, he/she shall disclose his/her concern or interest forthwith when he/she becomes concerned or interested or at the first meeting of the Board held after he/she becomes so concerned or interested.

v. Senior management shall make disclosures to the Board relating to all material financial and commercial transactions, where they have personal interest, that may have a potential conflict with the interest of the Company at large (for e.g. dealing in Company’s shares, commercial dealings with bodies, which have shareholding of management and their relatives, etc.)

vi. The Company Secretary shall promptly notify the Chairman of the Audit Committee of the Board of any such proposed Related Party Transactions notified by the Director, Key Managerial Personnel or senior manangment or any other transactions which are to be entered into with any Related Party.

vii. Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

viii. The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

B. APPROVAL OF RELATED PARTY TRANSACTIONS:

Approval of the Audit Committee

All Related Party transactions require prior approval of the Audit Committee. Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

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

The Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

a) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-
   (i) Repetitiveness of the transactions (in past or in future);
   (ii) Justification for the need of omnibus approval
   (iii) Whether the transaction(s) are proposed at arm's length basis and in the ordinary course of business.

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 –

   (i) The name/s of the related part(ies), nature of transaction(s), period of transaction(s), 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.

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.

d) 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.

e) Where the Audit Committee does not approve the Related Party Transactions, other than prescribed in clauses (a) to (g) of Section 188(1) of the Act, it shall make its recommendations to the Board for approval.

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.

g) In exceptional circumstances, where it is not feasible to seek prior approval of the Audit Committee, Board of Directors and / or shareholders, as the case may be, in respect of any Related Party Transaction, then it shall be required to be ratified by the Audit Committee, Board of Directors and / or shareholders, as the case may be, within a period of three months of entering into Related Party Transaction.

In case, the same 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 and if the contract or arrangement is with a related party to any Director, or is authorized by any other Director, the Directors concerned shall indemnify the company against any loss incurred by it.

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm’s length or not:

i. Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;

ii. Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;

iii. Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;

iv. Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;

v. Benchmarking information that may have a bearing on the arm's length basis analysis, such as:

1. market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
2. third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
3. management assessment of pricing terms and business justification for the proposed transaction;
4. comparative analysis, if any, of other such transaction entered into by the company.

Approval of the Board of Directors of the Company

As per the provisions of Section 188 of Companies Act, 2013, all kinds of transactions specified under the said Section and which are not in the ordinary course of business and at arm's length basis shall be placed before the Board for its approval.

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

In addition to the above, the following kinds of transactions with Related Parties are also placed before the Board for its approval:

i. Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;

ii. Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;

At the time of determining the arms' length nature of price charged for the Related Party Transaction, permissible method of arms' length pricing as per applicable law would be considered.

i In case the Company is not doing similar transactions with any other non-related party, terms for similar transactions between other non-related parties of similar standing can be considered to establish 'arm's length basis'.

iii. Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.

iv. Transactions meeting the materiality thresholds as per the applicable regulatory provisions, which are intended to be placed before the shareholders for approval.

Approval of the Shareholders of the Company

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business and/or at arm's length basis; and (b) exceed the thresholds laid down under Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 shall be placed before the shareholders for its approval.

Further, Explanatory Statement to be annexed to the notice of a general meeting seeking approval of shareholders shall contain the following particulars viz.:- (a) Name of the Related Party; (b) Name of the Director or Key Managerial Personnel who is related, if any; (c) Nature of relationship; (d) Nature, material terms, monetary value and particulars of the contract or arrangement; (e) Any other information relevant or important for the members to take a decision on the proposed resolution.

C. REVIEW OF RELATED PARTY TRANSACTIONS

i. To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction:

1. The name of the Related Party and nature of relationship;
2. The nature, duration of the contract and particulars of the contract or arrangement;
3. The material terms of the contract or arrangement including the value, if any;
4. Any advance paid or received for the contract or arrangement, if any;
5. The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
6. Whether all factors relevant to the contract have been considered; and
7. Any other information relevant or important for the Audit Committee/Board to take a decision on the proposed transaction.
8. Such other information/ disclosures as may be required by statutory provisions to be mandatorily placed before the Board for their consideration.

ii. Factors to be considered for considering the approval of a Related Party Transaction are as follows:

1. 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; and are in the ordinary course of business;

2. Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;

3. Whether the Related Party Transaction 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 Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company; and

6. Any other factors the Committee deems relevant.

5. DISCLOSURE OF THE POLICY:

The Company shall disclose the Policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

6. REPORTING:

i. All Related Party Transactions shall be disclosed in the Board's Report along with details and justification for entering into such transaction.

ii. All Related Party Transactions in which Directors are interested as defined in Section 184 shall be entered in with all the relevant particulars in register maintained as per Form MBP-4 prescribed in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014.

iii. Any other reporting shall be done as prescribed in applicable regulation.

8. AMENDMENTS IN THE POLICY:

The Company shall reserve the right to review and make amendment to this Policy from time to time as it deems fit in accordance with the applicable laws, rules and regulations for the time being in force. In the event of any conflict between the provisions of this Policy and the Act, RBI Directions or any other statutory enactments, the provisions of such Act, RBI Directions, or other statutory enactments shall prevail over this Policy.

This Policy shall subject to review by the Board, at least on an annual basis.

The Policy shall also be published on the official website of the Company and enclosed to the Annual Report of the Company.

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