

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS

Approvals

Date	Approving Authority
October 27, 2023	Board of Directors
July 31, 2023	Board of Directors
July 30, 2022	Board of Directors
November 02, 2021	Board of Directors
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Policy Owner: Secretarial Department

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1. INTRODUCTION

India Shelter Housing Finance Limited (“**India Shelter**”) in pursuance of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI Listing Regulations**”) and other applicable provisions (including any statutory enactments / amendments thereof), adopted the policy on materiality of related party transactions and on dealing with related party transactions (the “**Policy**”) vide its Board meeting held on July 31, 2023.

In terms of the provisions of Section 188 of the Companies Act, 2013, as amended and the rules framed thereunder and Regulation 23 of the SEBI Listing Regulations the Company is required to follow the procedure as prescribed for conducting the Related Party Transactions.

Also, **Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021** has prescribed that Housing Finance Companies (HFCs) should evolve a Related Party Transaction Policy (Policy) and disclose the same in the annual report and its website.

2. EFFECTIVE DATE

The Policy shall come into force with effect from the date Regulation 23 of the SEBI Listing Regulations takes effect with respect to the Company

3. APPLICABILITY

India Shelter shall enter into any contract or arrangement with a related party only post consent of the Board of Directors given by a resolution at a meeting of the Board with respect to the following or as may be prescribed under Section 188 of the Companies Act, 2013—

- (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:

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 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 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.

However, a transaction entered into by India Shelter in its ordinary course of business other than transactions which are not on an arm's length basis shall not be covered under the ambit of the Policy.

4. OBJECTIVES

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between India Shelter and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of India Shelter and its shareholders and to comply with the statutory provisions in this regard.

5. DEFINITIONS

In this Policy, unless the context otherwise requires, following are the definitions:

- a) **“Act”** means Companies Act, 2013 and rules made thereunder, as amended from time to time.
- b) **“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
- c) **“Board”** means the Board of Directors of the Company.
- d) **“Committee”** means Audit Committee of the Company as constituted or reconstituted by the Board.
- e) **“Company”** means India Shelter Finance Corporation Limited.
- f) **“Directors”** means Directors appointed by the Board including executive, non-executive and independent directors.

- g) **“Ordinary course of business”** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.
- h) **“Independent Director”** means a director referred to in Section 149 (6) of the Companies Act, 2013.
- i) **“KMP” or “KMPs”** means the following key managerial personnel:
- i) Chief Executive Officer and / or Managing Director or Manager of the Company;
 - ii) Chief Financial Officer of the Company;
 - iii) Company Secretary of the Company;
 - iv) Whole Time Director of the Company; and
 - v) Such other officer of the Company as may be decided by the Nomination and Remuneration Committee.
- j) **“Member”** means a Director of the Company appointed as member of the Committee.
- k) **“Material Related Party Transaction”** means a transaction with a Related Party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company “
- l) **“Material Modifications”** means any change in the terms of a related party transaction which results in change in the value of the transaction by 20% or more, of the approved value of the transaction during a financial year.
- m) **“RBI Guidelines”** means and includes Master Direction- Non-Banking Financial Company- Housing Finance Company (Reserve Bank) Directions, 2021, RBI Notifications, Circulars and other such communications thereto
- n) **“Relative”** with reference to a Director or KMP means persons as defined under the Companies Act, 2013 and rules prescribed thereunder as below
- o) **“Related Party”** have the meaning as defined in Section 2(76) of Companies Act, 2013 and Regulation 2(1)(zb) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015
- p) **“Related Party Transaction”** have the meaning as defined under Regulation 2(1)(zc) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015 as means transfer of resources, services or obligations between a listed entity and a related party, regardless of whether 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, including but not limited to the following –

- i) sale, purchase or supply of any goods or materials;
 - ii) selling or otherwise disposing of, or buying, property of any kind;
 - iii) leasing of property of any kind;
 - iv) availing or rendering of any services;
 - v) appointment of any agent for purchase or sale of goods, materials, services, property;
 - vi) appointment to any office or place of profit in the company
 - vii) underwriting the subscription of any securities or derivatives thereof, of the company
- q) **“Senior Management Personnel / Senior Management”** means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional and departmental heads.
- r) **“Subsidiary”** shall mean a subsidiary as defined under Section 2(87) of the Companies Act.

6. INTERPRETATION

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 or NHB Act, 1987, NHB Directions, Notifications, Circulars or guidelines as may be amended from time to time shall have the meaning respectively assigned to them therein.

7. DEALING WITH RELATED PARTY TRANSACTION

7.1 Each Director and Key Managerial Personnel is responsible for providing advance notice to the Board or Audit Committee of any potential Related Party Transaction involving himself/herself or their relatives, including any additional information about the transaction that the Board or Audit Committee may request. 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

7.2 The Notice of any potential Related Party transaction shall be intimated to the Board/ Committee, well in advance so that the Board/ Committee have adequate time to review the transaction.

7.3 All related party transaction shall require prior approval of the Audit Committee / Board, however, in cases where transaction has been done inadvertently or due to requirement of urgency the Audit Committee / Board may ratify the decision. However, this ratification should be done within 3 months of the contract having taken place otherwise the transaction shall be voidable at the option of Board / Committee.

7.4 While considering any transaction, the Committee / Board shall take into

account all relevant facts and circumstances including 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. No member of the Committee / Board shall be present during the period the transaction related to the transaction

7.5 Audit Committee shall review , at least on a quarterly basis, the details of Related Party Transaction entered in to by India Shelter pursuant to each of the approval given. Approval given by the Audit Committee shall be valid for till revoked.

7.5 Related Party Transaction with are either not in the 'Ordinary Course of Business' or are not at 'arm's length price' and exceeds the threshold under section 188 of the companies Act, 2013 shall also require prior approval of the shareholders through special resolution.

7.6 No members of the Company shall vote in a special resolution where related party contract or arrangement is being considered if such a member is a Related Party in Contract or Arrangement which is being considered.

8. Review and approval of Related Party Transaction

1. Audit Committee

All Related Party Transactions (including all prospective transactions) and subsequent Material Modifications shall require prior approval of the Audit Committee. Only those members of the Audit Committee, who are independent directors, shall approve Related Party Transactions.

The Company shall provide to the Committee all relevant material information of all Related Party Transaction(s) in compliance with Companies Act and SEBI Listing Regulations.

In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

(i) 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;

(ii) Whether the Related Party Transaction would affect the independence of the Director/KMP;

(iii) Whether the proposed Transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction; and Directors, 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.

(v) Whether there are any compelling business reasons / rationale for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any.

Subject to the provisions of the applicable laws, the Audit Committee will have the discretion to approve/modify/reject/recommend/refer the proposed Related Party Transaction for the approval of the shareholders, if required

2. Transactions involving Subsidiaries

i. a related party transaction to which the Subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the Company.

ii. With effect from April 1, 2023, a Related Party Transaction to which the Subsidiary is a party but the Company is not a party, shall require prior approval of the Audit Committee if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% (ten percent) of the annual standalone turnover, as per the last audited financial statements of the Subsidiary.

iii. However, prior approval of the audit committee of the Company will not be required for a Related Party Transaction to which the Company's listed Subsidiary is a party but the Company is not a party, if regulations 23 and 15(2) of the Listing Regulations are applicable to such listed Subsidiary.

iv. For Related Party Transactions of unlisted Subsidiaries of a listed Subsidiary of the Company, the prior approval of the audit committee of the listed Subsidiary shall suffice.

3. Omnibus approval

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

(i) The Audit Committee shall lay down the criteria for granting an omnibus approval in line with this Policy and such approval shall be applicable in respect of Related Party Transactions which are repetitive in nature and such criteria shall include the following:

- a) Maximum value of related party transactions, in the aggregate, which can be allowed under the omnibus approval mechanism;
- b) Maximum value per related party transaction which can be allowed;
- c) Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
- d) Review, at such intervals as the Audit Committee may deem fit, of Related Party Transactions entered into pursuant to each of the omnibus approval made;
- e) Related party transactions which cannot be covered under the omnibus approval mechanism.

Based on the aforementioned criteria, the Audit Committee may, in the interest of the conduct of affairs of the Company, grant omnibus approval for related party transactions that are repetitive in nature, in accordance with the conditions laid down under the SEBI Listing Regulations.

(ii) The Audit Committee shall satisfy itself of the need for such omnibus approval and that such approval is in the interest of the Company;

(iii) Such omnibus approval shall specify (i) the name 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;

(iv) Where the need for the RPT cannot be foreseen and the aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

(v) Audit Committee shall review, at-least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given;

(vi) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

(vii) Transactions of the following nature shall be outside the purview of the omnibus approval mechanism:

- a) Transactions that are not in the ordinary course of business or not at arm's length.
- b) Transactions that are not repetitive or unforeseen in nature.
- c) Transactions exceeding the threshold limits specified for omnibus approval.
- d) Inter-corporate loans given/taken to/from related parties and purchase/sale of investments from/to related parties.
- e) Transactions in respect of the sale or disposal of an undertaking.
- f) Any other transaction as may be specified by the Audit Committee.

4. Board of Directors

Subject to Clause VI of this Policy, the following RPTs shall require additional, prior approval of Board of Directors:

(i) All transactions between the Company and its Related Parties which are not in the Ordinary Course of Business, or not proposed to be executed as an Arm's length transaction.

(ii) Transactions which in the opinion of the Audit Committee, need special consideration / determination by the Board.

(iv) Whether the Related Party Transaction is in the nature of 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 or other Related Party, the

direct or indirect nature of the discussion and voting when such transaction is being considered.

5. Shareholders Transactions not in ordinary course of business or not at arm's length

All Related Party Transactions in excess of the limits prescribed under the Companies Act, 2013, and the SEBI Listing Regulations, as may be applicable, which are not in the ordinary course of business or not an Arms' length transaction shall also require the prior approval of the shareholders through resolution and no member of the Company shall vote on such resolution, if such member is a related party.

6. Material Related Party Transaction and subsequent Material Modifications

(i) All Material Related Party transactions and any subsequent Material Modification thereto, shall require shareholders' approval by a resolution.

(ii) No Related Party will be allowed to vote to approve such resolutions whether the entity is a Related Party to the particular transaction or not.

(iii) The Audit Committee and the Board shall approve and recommend all Material Related Party transactions, before submitting the same for approval of the shareholders of the Company.

(iv) Prior approval of the shareholders of the Company shall not be required for a Related Party Transaction to which the listed Subsidiary is a party but the Company is not a party, if Regulations 23 and 15(2) of the Listing Regulations are applicable to such listed Subsidiary.

(v) For Material Related Party Transactions and subsequent Material Modifications of unlisted Subsidiaries of a listed Subsidiary of the Company, the prior approval of the shareholders of the listed Subsidiary shall suffice.

7. Exemption from applicability of the Policy

Notwithstanding the foregoing, but subject to the provisions of the applicable laws from time to time, this Policy shall not apply to the following Related Party transactions and such transactions shall not require approval of Audit Committee or shareholders:

(i) transactions entered into between the Company and its wholly owned Subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval; and

(ii) transactions entered into between two wholly-owned Subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

9. DISCLOSURE

The Company shall disclose the particulars of contracts or arrangements entered with the Related Parties in such form and manner as may be required under the provisions of the Act and rules made thereunder.

The details of this policy and the evaluation criteria as applicable shall be disclosed

in the Annual Report as part of the Board's Report therein and shall also be displayed on the website of the Company.

The Company shall submit to the stock exchanges disclosures of Related Party Transactions in the format as specified by SEBI from time to time, and publish the same on its website.

10. Review

The Board shall review this Policy once in 3 (three) years and update it accordingly.

11. Inconsistency with the applicable law

In the event of any inconsistency between this Policy and the applicable laws, the applicable laws (as existing on the date of the concerned transaction) shall prevail.

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