

MAHINDRA RURAL HOUSING FINANCE LIMITED
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Policy on Related Party Transactions

1. Prelude

Mahindra Rural Housing Finance Limited (MRHFL / Company) is a Housing Finance company registered with the National Housing Bank, and is engaged in providing home loans primarily in rural and semi-urban areas. As part of its business activities, the Company deals with entities which are related parties.

The Companies Act, 2013 (“the Act”) places a lot of emphasis on Related Party Transactions. Provisions of the Act along with the relevant Rules governing Related Party Transactions have come into effect from April 1, 2014.

Section 177(4) of the Act deals with approval or any subsequent modification of transactions of the Company with related parties by the Audit Committee.

All Related Party Transactions pursuant to section 188 of the Act which are not in the ordinary course of business and / or not on an Arms’ length basis require prior approval of the Board and if such transactions cross the threshold limits prescribed under the Act, such transactions also require the approval of shareholders of the Company by ordinary resolution and the Related Parties with whom transactions are being entered shall abstain from voting on such resolution(s).

It also requires specified related party transactions to be disclosed in the Board’s Report along with the justification for entering into such transactions.

Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) also provides additional requirements for Related Party Transactions. As per the said Regulation, the Related Party Transactions shall require prior approval of the Audit Committee and Material Related Party Transactions shall require approval of shareholders of the Company through resolution (unless exempted pursuant to the provisions of Listing Regulations) and Related Parties shall not vote to approve such shareholders resolution.

The Board of Directors (the “Board”) of the Company has adopted this policy and procedures with regard to Related Party Transactions, upon recommendation of the Audit Committee, in line with the requirements of the Listing Regulations and subsequent amendments thereto [hereinafter referred to as ‘Policy on Related Party Transactions’].

As per the requirements of Notification No. NHB. HFC.CG-DIR.1/MD&CEO/2016 issued by the National Housing Bank (NHB) vide which the NHB notified the Housing Finance Companies - Corporate Governance (National Housing Bank) Directions, 2016, the company shall disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report.

2. Intent of the Policy

Regulation 23 of the Listing Regulations requires a Company to formulate a policy on materiality of related party transactions and dealing with Related Party Transactions including clear threshold limits duly approved by Board of Directors, and such policy shall be disclosed on the company's website and a web link thereto shall be provided in the Annual Report.

The Objective of this policy is to set out (a) the materiality thresholds for related party transactions and (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, Regulation 23 of the Listing Regulations, applicable guidelines etc. issued by the Reserve Bank of India / National Housing Bank and any other laws and regulations as may be applicable to the Company; and (c) lay down the guiding principles and mechanism to ensure proper approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties in the best interest of the Company and its stakeholders, in accordance with the provisions of the Act.

3. Applicability and Legal Framework

This Policy on Related Party Transactions shall be governed by the Act read with Rules made thereunder, as may be in force from time to time, as well as Listing Regulations or such other Rules / Regulations, as may be notified by /SEBI from time to time and regulations, if any, of NHB in this regard. Any references to statutory provisions shall be construed as references to those provisions as amended or re-enacted or as their application is modified by other statutory provisions (whether before or after the date hereof) from time to time and shall include any provisions of which they are re-enactments (whether with or without modification).

4. Definitions

- (i) **“Arm’s Length basis”** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. [Explanation (b) to Section 188(1) of the Act].
- (ii) **“Associate Company”** shall be as defined in the Act and the applicable Accounting Standards issued by the Institute of Chartered Accountants of India.
- (iii) **“Audit Committee”** means the Audit Committee constituted by the Board of Directors of the Company in accordance with section 177 of the Act read with Regulation 18 of the Listing Regulations.
- (iv) **“Board of Directors”** or **“Board”** means the Board of Directors of MRHFL, as constituted from time to time.
- (v) **“Company”** or **“MRHFL”** means Mahindra Rural Housing Finance Limited.
- (vi) **“Control”** shall have the same meaning as defined in the Act.
- (vii) **“Key Managerial Personnel”** in relation to a Company, shall be as defined under section 2(51) of the Act, as amended from time to time.
- (viii) **“Material Related Party Transaction”** means a transaction as defined under the Act and the Rules made thereunder and the Listing Regulations, as amended from time to time.
- (ix) **“Ordinary course of business”** would include usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and all such activities which the Company can undertake as per its Memorandum and Articles of Association.
- (x) **“Related Party”**, means a related party as defined under the Act and the Rules made thereunder and the Listing Regulations, including any amendment or modification thereof, as may be applicable.
- (xi) **“Related Party Transaction”** (“RPT”) shall mean such transactions as specified under the Act and the Rules made thereunder and the Listing Regulations, including any amendment or modification thereof, as may be applicable.
- (xii) **“Relatives”** with reference to any person shall have the meaning as defined

under the Act and Rules prescribed thereunder and the Listing Regulations, as amended from time to time.

- (xiii) A "**transaction**" with a related party shall be construed to include single transaction or a group of transactions in a contract.

Any other term not defined herein shall have the same meaning as defined in the Act, the Listing Regulations, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 or any other applicable law or regulation.

5. Policy on Related Party Transactions

All Related Party Transactions (before being entered into) must be reported to the Audit Committee for its approval in accordance with this Policy.

The Audit Committee shall periodically review this Policy and may recommend amendments to this Policy from time to time as it deems appropriate.

5.1 Identification of potential related parties and transactions

Every Director and Key Managerial Personnel will be responsible for providing a declaration containing the following information to the Company Secretary on an annual basis and whenever there is a change in the information provided:

1. Names of his / her Relatives;
2. Partnership firms in which he / she or his / her Relative is a partner;
3. Private Companies in which he / she or his / her relative is a member or Director;
4. Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions; and
6. Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Each director and Key Managerial Personnel is responsible for providing Notice to the Company Secretary of any potential Related Party Transaction, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee and the Board.

It will be the responsibility of the Directors and KMPs to keep the Company updated immediately if there is a change in any of the declarations provided at the beginning of the year.

Besides the above, the Company will also identify other Related Parties as required under the provisions of the Companies Act, 2013 and Regulation 23 of the Listing Regulations.

Any transaction by the Company with a Related Party will be regulated as per this Policy.

5.2 Approval of Related Party Transactions

5.2.1 Prior approval of Audit Committee

All Related Party Transactions, where Company is a Related Party, and any subsequent modifications to the transactions of the Company shall require prior approval of Audit Committee, whether at a meeting or by Resolution by circulation as prescribed under the Act and Listing Regulations.

Related Party Transactions to which subsidiary Company(ies) of the Company are party (ies) but the Company is not a party, shall require approval of the Audit Committee of the Company as per Regulation 23 of the Listing Regulations if it crosses the threshold(s), as specified under the Regulations, and/or not exempted under the Regulations. Any material modification to such transactions shall also require approval of the Audit Committee of the Company.

Material modification limit for such transactions is being defined as “any change in the approved terms which has a financial implication of 25% or more or Rs. 250 crores, whichever is lower”.

To review a Related Party Transaction, the Board/ Audit Committee will be provided with all the relevant information pertaining to the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and any other matter, as may be required. In determining whether approval needs to be accorded to a Related Party Transaction, the Board/ Audit Committee will consider the following factors:

The approval of the Audit Committee will be sought in the following manner:

- a) All Related Party Transactions, where Company is a party, will be submitted to

the Audit Committee for prior approval irrespective of whether such transactions are in the ordinary course of business and / or at arm's length or not.

- b) Where the Company has entered into a master agreement with a related party, which stipulates details of every transaction like nature of the transaction, basis of pricing, credit terms etc., the prior approval once given by the Audit Committee would suffice and Audit Committee would only note the transactions that are entered into pursuant to such master agreement and will not require any further approval of the Audit Committee unless there is any change in the terms of the master agreement.

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

- a) The Audit Committee shall, lay down the criteria for granting the omnibus approval in line with the Policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b) The Audit Committee shall satisfy itself on the need for omnibus approval and that such approval is in the interest of the Company; and
- c) Such omnibus approval shall specify (i) the name/s of the related party/ies, 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.

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 Rs. 1 crore per transaction.

The Audit Committee shall review on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.

Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of one financial year.

Any member of the Audit Committee who has a potential interest in any Related Party

Transaction will not remain present at the Meeting when such Related Party Transaction is considered.

Further, the Company shall provide such information to Audit Committee for seeking approval for Related Party Transactions, as prescribed under the Act, Listing Regulations read with SEBI Circulars, from time to time, and as amended from time to time.

For the purpose of Regulation 23 of the Listing Regulations, prior approval of the Audit Committee shall not be applicable to transactions exempted under Listing Regulations, as amended from time to time.

5.2.2. Prior approval of Board of Directors under the Act

Transactions with the related parties within the scope of Section 188 of the Act, which are either not in the Ordinary Course of Business or are not at Arm's Length basis or both shall require prior approval of the Board of Directors.

Where any Director is interested in any contract or arrangement with a related party, such Director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

5.2.3 Shareholders' approval requirements:

All Related Party Transactions pursuant to section 188 of the Act which are not in the ordinary course of business and / or not an Arms' length basis require prior approval of the Board and if such transactions crosses the threshold limits prescribed under the Act, such transactions also require the approval of shareholders of the Company by resolution and the Related Parties with whom transactions are being entered shall not vote to approve the shareholder's resolution (s).

All Material Related Party Transactions as per Regulation 23 of the Listing Regulations whether in the ordinary course of business or at arm's length or not and exceeding the threshold prescribed under Listing Regulations shall require approval of the Board of Directors and the Shareholders of the Company through a Resolution. For this purpose, no entity falling under the definition of related parties shall vote to approve the relevant Related Party transactions including Material Related Party Transactions irrespective of whether the entity is a party to the particular transaction or not.

All material related party transactions and subsequent material modifications to such transactions, as defined by the Audit Committee in clause 5.2.1 of this Policy, shall require prior approval of the Shareholders through resolution and no related party shall

vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

In case the shareholders decide not to approve a Related Party Transaction, the Board/ Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable to shareholders for approval.

The requirement for seeking Shareholders approval shall not be applicable to transactions exempted under the under the Act and the Rules made thereunder and the Listing Regulations, as amended from time to time.

6. Disclosures

- a) The Company will submit disclosures on related party transactions, in the prescribed format, within the timelines as specified under the Listing Regulations and publish the same on its website, as may be required.
- b) The various business heads, department heads or any person authorized to enter into any transaction on behalf of the company shall not undertake any transaction with related party unless they confirm that the transaction has prior approval of the Audit Committee and that the transaction is both in the ordinary course of business and on an Arm's length basis. Any transaction not meeting the required criteria mentioned above should be brought to the notice of the Secretarial Department, Accounts Department and the CFO for seeking the requisite approvals.
- c) The Board's Report will contain details of contract(s) or arrangement(s) or transaction(s) as the Act and the Rules made thereunder and the Listing Regulations, including any amendments or modifications thereof, may specify from time to time.
- d) This policy shall be hosted on the Company's website at www.mahindrahomefinance.com and also disclosed in the Annual Report.

7. Review of Policy

The Board will review this Policy from time to time as prescribed under the Act or Listing Regulations.

8. Amendments

The Board may, subject to applicable laws, amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy, based on the recommendation(s) of Audit Committee, from time to time.

9. Scope Limitation

In the event of any conflict between the provisions of this Policy and the Listing Regulations /the Act and rules thereunder, or any other statutory enactments, the Listing Regulations /the Act and rules thereunder, or any other statutory enactments shall prevail over this Policy.

Further, amendments in law, if any, as applicable to the Company will be complied, whether or not the same has been specifically incorporated in this Policy.

10. Dissemination of Policy

This Policy shall be disseminated to all functional and operational heads and other concerned persons of the Company and shall be hosted on the website of the Company.
