

**HDFC INVESTMENTS LIMITED**

**POLICY ON RELATED PARTY TRANSACTIONS**

**HDFC Investments Limited**

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Mumbai 400 020.

CIN: U65990MH1994PLC083933

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|------------------------|--|
| Reviewing Authority    | Audit Committee of Directors                                   |
| Approving Authority    | Board of Directors   |
| Original Issue Date    | March 28, 2016   |
| Previous Revision Date | July 26, 2019  |
| Current Revision Date: | March 24, 2022   |
| Policy Making Body     | Audit Committee of Directors                                   |
| Version No.            | 1.2  |
| Effective Date         | April 1, 2022  |
| Review Cycle           | Annually or as recommended by the Audit Committee of Directors |

## **SCOPE AND PURPOSE:**

The Companies Act, 2013, the Rules framed thereunder provide for detailed provisions relating to on Related Party Transactions.

During the course of its business, the Company enters into transactions with various related parties which are termed as 'Related Party Transactions'.

A Policy on dealing with Related Party Transactions (RPT) was formulated by the Company and was approved by its Audit Committee and Board of Directors on March 28, 2016, so as to ensure proper approval and reporting of the concerned transactions between the Company and its Related Parties.

The Policy was further amended on July 26, 2019 so as to incorporate the amendments made to the Companies Act, 2013 and other applicable laws and also to align it with the practices followed by the Company in relation to approval of transactions with related parties.

Thereafter, pursuant to SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021 (Amended Listing Regulations) dated November 9, 2021, SEBI *inter alia* expanded the coverage of related parties and related party transactions. The said Regulations is applicable to Housing Development Finance Corporation Limited (HDFC), the holding company being a listed entity.

The Company, being a subsidiary of HDFC is required to ensure certain compliances in order to enable HDFC comply with the provisions of the Amended Listing Regulations. Accordingly, it is proposed to incorporate the applicable provisions under the Amended Listing Regulations and the Policy on Related Party Transactions of HDFC, as part of this Policy.

As per the Amended Listing Regulations and with effect from April 1, 2022, related party transactions for HDFC will include the following:

1. Transactions between HDFC and its related parties
2. Transactions between HDFC and related parties of any of its subsidiary companies
3. Transactions between a subsidiary company and related parties of HDFC
4. Transactions between a subsidiary company and related parties of any of the subsidiary companies of HDFC

In view of the above, the Policy on Related Party Transactions is proposed to be divided into three parts viz. Part A – which deals with transactions by the Company with its Related Parties, Part B – which deals with the compliances required under the Amended Listing Regulations to the extent applicable to a subsidiary of a listed entity and Part C – which deals with dissemination of Information under applicable laws.

The other changes proposed in the Policy *inter alia* include changes/deletion of certain definitions, terms of policy etc.

This Policy shall be come into effect from April 1, 2022.

## **CLARIFICATIONS, AMENDMENTS AND UPDATES:**

As the Audit Committee of Directors of the Company is entrusted with the task of reviewing and approving transactions with Related Parties or any subsequent modifications thereof, it shall be the reviewing authority with respect to this Policy and shall recommend this Policy or amendments thereof for the approval of the Board.

The Audit Committee of the Company shall have the authority to issue such guidance and clarifications as may be deemed necessary for the implementation of this Policy. They are also authorized to delegate such powers as may be considered necessary and appropriate for effective administration and enforcement of this Policy to any officer(s) of the Company.

The Audit Committee shall review this Policy at such interval as it may deem necessary and recommend the changes, if any, to this Policy for the approval of the Board of Directors of the Company.

## **INTERPRETATION**

All words and expressions used herein, unless defined herein, shall have the same meaning as respectively assigned to them, in the Applicable Law under reference.

‘Applicable Law’ includes (a) the Companies Act, 2013 and rules made thereunder;; (b) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 to the extent applicable to the Company; and (c) any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions as may be applicable to the Company.

## **DEFINITIONS**

### **Arm's Length Transaction**

Explanation (b) to Section 188(1) of the Companies Act, 2013 defines an "*arm's length transaction*" to mean a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

### **Material modifications**

"*Material Modifications*" shall mean a 10% or more increase in the original value/ consideration of any Related Party Transaction entered into/ to be entered into by the Company, which was earlier approved by the Audit and Governance Committee/ Board of Directors/ Shareholders of Housing Development Finance Corporation Limited (HDFC), as the case may be.

### **Related Party**

The term Related Party has been defined under Section 2(76) of the Companies Act, 2013 as follows -

***Related Party*** with reference to a company means -

- i. *a director or his relative;*
- ii. *a key managerial personnel or his relative;*
- iii. *a firm, in which a director, manager or his relative is a partner;*
- iv. *a private company in which a director or manager (or his relative) is a member or director;*
- v. *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;*
- vi. *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;*
- vii. *any person on whose advice, directions or instructions a director or manager is accustomed to act:*

*Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;*

viii. *any body corporate which is —*

- (A) a holding, subsidiary or an associate company of such company; or*
- (B) a subsidiary of a holding company to which it is also a subsidiary;*
- (C) an investing company or the venturer of the company;";*

ix. *such other person as may be prescribed;*

Rule 3 of the Companies (Specification of definitions details) Rules, 2014, provides that a director or key managerial personnel of the holding company or his relative with reference to a company shall also be deemed to be a related party.

## **Relative**

In terms of Section 2(77) of the Companies Act, 2013 read with the Companies (Specification of definitions details) Rules, 2014 a person is said to be a relative of another, if

- a) *They are members of a Hindu undivided family;*
- b) *They are husband and wife;*
- c) *Father (including step-father);*
- d) *Mother ( including step-mother);*
- e) *Son ( including step-son);*
- f) *Son's wife;*
- g) *Daughter;*
- h) *Daughter's husband;*
- i) *Brother (including step-brother); or Sister (including step-sister).*

## **Related Party Transaction**

*Related Party Transaction means any contract or arrangement with a related party with respect to—*

- (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.*

*In case of any inconsistencies between the definitions as mentioned above and the any of the Applicable Laws on account of any amendment carried out thereto, the definitions as prescribed under the Applicable Laws shall prevail.*

**PART – A – Transactions with related parties**

**All Related Party Transactions under this Part will be subject to following approval matrix, as may be applicable:**

| Provisions   | Approval Required |                    |   |
|--|-------------------|--------------------|---|
|  | Audit Committee   | Board of Directors | Shareholders (Ordinary Resolution)                            |
| Transactions in the ordinary course of business and on an arm's length basis   | √                 |                    |   |
| <b>Transactions either not in the <u>ordinary course of business</u> or <u>arm's length basis</u></b>                          |                   |                    |   |
| Sale, purchase or supply of any goods or materials, directly or through appointment of agent.                                  | √                 | √                  | √*<br>10% or more of the turnover                             |
| Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent.                    | √                 | √                  | √*<br>10% or more of the net worth                            |
| Leasing of property of any kind.   | √                 | √                  | √*<br>10% or more of the turnover                             |
| Availing or rendering of any services, directly or through appointment of agent.   | √                 | √                  | √*<br>10% or more of the turnover                             |
| Appointment of any related party to any office or place of profit in the Company, its subsidiary company or associate company. | √                 | √                  | √*<br>Monthly remuneration exceeding two and half lakh rupees |
| underwriting the subscription of any securities or derivatives thereof, of the Company:  | √                 | √                  | √*<br>Remuneration exceeding 1% of net worth                  |

*\*(i) Approval of shareholders not required in case of transactions with HDFC.*

*(ii) Related Parties that are parties to the contract shall abstain from voting.*

### **Procedure for approval and review of Related Party Transactions:**

- (i) Subject to the threshold limits specified below, all Related Party Transactions or changes therein must be referred for prior approval by the Audit Committee in accordance with this Policy.
- (ii) The threshold limits for approvals will be as follows:
  - a. The transactions, for which omnibus approval of the Audit Committee has already been sought, will not require prior approval of the Audit Committee for each transaction entered into pursuant to the same.
  - b. The Related Party Transactions may be granted omnibus approval by Audit Committee. Such transactions shall be reported to the Audit Committee on a quarterly basis.
  - c. Where the need for related party transaction cannot be foreseen and the details thereof are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction. Such transactions shall also be reported to the Audit Committee on a quarterly basis.
  - d. Transactions other than those referred to in Section 188 of the Companies Act, 2013 between the Company and Housing Development Finance Corporation Limited ('the Corporation'), would not require the omnibus approval of the Audit Committee (the Company being a wholly-owned subsidiary of the Corporation). Such transactions shall be reported to the Audit Committee on a quarterly basis for its noting.
- (iii) If the Related Party Transaction needs to be approved at a general meeting of the shareholders by way of a resolution pursuant to Applicable Law, the Board shall ensure that the same be put up for approval by the shareholders of the Company.
- (iv) Where, owing to exigencies, Related Party transactions have been entered into without being placed for prior approval by the Audit Committee, reasoned explanation for the same must be received from the contracting employees to the satisfaction of the Audit Committee. The Audit Committee may ratify such transactions, or may put forth the transactions before the Board along with its recommendations, and the Board may either ratify such transactions or seek to avoid the same. The Audit Committee recommendations may also include appropriate measures against the contract employee authorising such transactions without prior approval of the Audit Committee. If approval of the Board / general meeting, where applicable, for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Board / general meeting, if required, within 3 months of entering in the Related Party Transaction or at its next meeting whichever is earlier.

In any case where either the Board / shareholders determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or the shareholders, 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 for ratification. In connection with any review of a Related Party Transaction, the Board has authority to modify or waive any procedural requirements of this Policy.



- (v) No member of the Audit Committee/ Board shall participate in the review or approval of any Related Party Transaction in which such member is personally interested.
- (vi) Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.

**Omnibus Approval by the Audit Committee**

- (i) In case of certain frequent/ repetitive/ regular transactions with Related Parties which are in the ordinary course of business of the Company (including transactions for support services / sharing of services with companies), the Audit Committee may grant an omnibus approval for such Related Party Transactions proposed to be entered into by the Company, subject to such conditions, as may be prescribed by the law applicable for the time being in force.
- (ii) The details of such transactions viz. actually entered into/ executed by the Company will be tabled for review before the Audit Committee.
- (iii) Exceptions allowed under the Applicable Laws to Related Party Transactions shall be exempted from the scope of this policy unless the Audit Committee decides otherwise.

**PART – B: Compliances required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 to the extent applicable to a subsidiary of a listed entity**

**A. Identification of related parties and related party transactions**

In order to enable HDFC prepare a consolidated list of related parties and identifying transactions if any with any of such parties, the Company shall furnish an updated list of its related parties to HDFC on a quarterly basis.

The Company shall, on a quarterly basis, identify transactions if any, with the said consolidated list of related parties.

**B. Related party transactions which requires approval of HDFC**

All prospective Related Party Transactions will be subject to following approval matrix, as may be applicable:

| Particulars of transactions   | Approving Authority (of HDFC)                       |  |              |
|---|---|--|--------------|
|   | Audit and Governance Committee                      | Board of Directors   | Shareholders |
| Related Party Transactions between HDFC and any related party of the Company                        | All   | Aggregate value per related party > Rs. 1,000 crore (referred to as Material Related Party Transactions) |              |
| Related Party Transactions between the Company and a related party of HDFC                          | Aggregate value per related party > Rs. 1,000 crore |  |              |
| Related Party Transactions between the Company and a related party of any of the subsidiary of HDFC | Aggregate value per related party > Rs. 1,000 crore |  |              |

It is to be noted that as per the Amended Listing Regulations, transactions between HDFC and the Company (being a wholly owned subsidiary) are exempt.

It is also clarified that all those Related Party Transactions which is required to be approved by the Audit and Governance Committee/ Board/ Shareholders of HDFC and to which HDFC is not a party but the Company is, shall require prior approval of the Audit Committee of the Company. Post the same, the transactions would be recommended to the concerned authority of HDFC for its approval.

The Company shall also provide to HDFC, from time to time, information on any proposed Material Modifications to those Related Party Transactions entered into by the Company which have been earlier approved by Audit and Governance Committee/ Board/ Shareholders of HDFC, for the purpose of obtaining necessary approvals.

The Company shall not enter into any material Related Party Transactions (including any Material Modification), unless the same has been approved by the Audit Committee of the Company and the Audit and Governance Committee and Shareholders of HDFC, as required under the Amended Listing Regulations.

**C. Related party transactions which requires disclosure by HDFC**

The Company shall provide information regarding the transactions, if any entered into with any of the related parties of HDFC or of any of its subsidiary companies to HDFC on a half-yearly basis.

HDFC is required to disclose all such transactions to the stock exchanges on a half-yearly basis, as provided under the Amended Listing Regulations.

**PART - C**

**DISSEMINATION OF INFORMATION**

The Company shall disclose this Policy wherever it is required by the applicable laws.

The Company shall also make relevant disclosures in its Annual Report and maintain such registers as required under the provisions of the Companies Act, 2013, and Rules made thereunder.

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