

**WEST END HOUSING FINANCE LIMITED
(WEHFL)**

POLICY ON RELATED PARTY TRANSACTION

Approval Date: 15th January, 2019

POLICY ON
RELATED PARTY TRANSACTIONS

1. PREAMBLE

The Board of Directors (the “Board”) of West End Housing Finance Limited (the “Company”) has adopted this Policy upon the recommendation of the Audit Committee and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions (“Policy”) in compliance with the requirements of Section 188 of the Companies Act, 2013 and the Corporate Governance Directions of the National Housing Bank (NHB). Amendments, from time to time, to the Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee. This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

2. OBJECTIVE

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company 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 the Company, its shareholders and other stakeholders and to comply with the statutory provisions in this regard.

3. DEFINITIONS

“**Arm’s length Transactions**” means a transaction between two Related Parties that is conducted as if they are unrelated so that there is no conflict of interest.

“**Audit Committee**” means the Committee of the Board constituted from time to time under the provisions of Section 177 of the Companies Act, 2013.

“**Board**” means the Board of Directors of the Company as constituted from time to time.

“**Key Managerial Personnel**” means Key Managerial Personnel as defined under Section 203 of the Companies Act, 2013 and includes:

- i. Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-time director;
- ii. Company Secretary; and
- iii. Chief Financial Officer

“Related Party” a means Related Party as defined under Section 2(76) of the Companies Act, 2013 as amended from time to time, which 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 two per cent 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;
 - (B) a subsidiary of a holding company to which it is also a subsidiary; or
 - (C) an investing Company or the venture of the company;
- (ix) such other person as may be prescribed;

“Related Party Transaction” means any transaction directly or indirectly between the Company and any Related Party for transfer of resources, services or obligations, regardless of whether a price is charged and includes –

- 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 the 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;
- g. Underwriting the subscription of any securities or derivatives thereof, of the Company;
- h. Financing (including loans and equity contributions in cash or kind);
- i. Providing or obtaining guarantees and collaterals; and
- j. Deputation of employees. (The above is an indicative list and not an exhaustive one).

“Relative” means a relative as defined under 2(77) the Companies Act, 2013 and the Rules made thereunder and includes anyone who is related in any of the following manner –

- a. Members of a Hindu undivided family;
- b. Husband or 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
- j. Sister (including step-sister).

“**Transaction**” with a related party shall be construed to include a single transaction or a group of transactions.

The terms Director, Chief Financial Officer, Company Secretary, shall have the same meaning as assigned under the Companies Act, 2013.

4. POLICY

The Audit Committee shall review and approve all Related Party Transactions based on this Policy. All proposed Related Party Transactions must be reported to the Audit Committee for prior approval by the Committee in accordance with this Policy. In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre – approval / omnibus approval, details whereof are given in a separate section of this Policy (In Clause 4.2.4 of the Policy). In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Committee may ratify the transactions within a period of three months in accordance with Clause 4.2.7 of the Policy.

4.1 IDENTIFICATION OF RELATED PARTY TRANSACTIONS

The Responsible Person (Company Secretary/ Chief Financial Officer) shall at all times maintain a database of Company's Related Parties containing the names of individuals and Companies, identified on the basis of the definition set forth in Definition Clause above, along with their personal/company details including any revisions therein. The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year, as on 1st April every year.

Functional departmental heads shall submit to the Chief Financial Officer (CFO), the details of proposed transaction with draft contract/ draft agreement or other supporting documents. The CFO shall provide the details to the Company Secretary who shall appropriately take it up for necessary prior approvals from the Audit Committee at its next meeting.

For the purpose of implementing the provisions under this Policy, the Board and the Audit Committee of Directors of the Company shall receive timely, full and sufficient information about the Transactions covered under this Policy.

In determining, whether to approve or not a Related Party Transaction, the Board will take into account, among other factors, recommendations of the Audit Committee, whether the said Transaction is in the interest of the Company and its stakeholders and there is no actual or potential conflict of interests between the Related Parties.

4.2 REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION

All Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation or through electronic mode. A member of the Committee who has a potential interest in any Related Party Transaction will not remain present at the meeting or abstain from discussion and voting on such Related Party Transaction and shall not be counted in determining the presence of a quorum when such Transaction is considered.

4.2.1 CONSIDERATION BY THE AUDIT COMMITTEE IN APPROVING THE PROPOSED TRANSACTIONS

While considering any transaction, the Committee 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. Prior to the approval, the Committee shall, inter-alia, consider the following factors to the extent relevant to the transaction:

- a. Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis;
- b. The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- c. Whether the Related Party Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction; and
- d. Whether the Related Party Transaction would affect the independence or present a 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, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director's interest, 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 Committee deems relevant.

The Committee shall take into consideration that subsequent events (i.e., events after the initial transactions have commenced) like evolving business strategies / short term commercial decisions to improve / sustain market share, changing market dynamics, local competitive scenario, economic / regulatory conditions affecting the global / domestic industry, may impact profitability but may not have a bearing on the otherwise arm's length nature of the transaction.

4.2.2 APPROVAL BY CIRCULAR RESOLUTION OF THE AUDIT COMMITTEE

In the event the Company Management determines that it is impractical or undesirable to wait until a meeting of the Committee to enter into a Related Party Transaction, 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.

4.2.3 APPROVAL BY THE BOARD

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

With reference to the above para, Section 188(1) of the Companies Act, 2013, mandates a company to enter into certain contract or arrangement with a related party with the consent of the Board of Directors given by a resolution at a meeting of the Board.

4.2.4 STANDING PRE-APPROVAL / OMNIBUS APPROVAL BY THE AUDIT COMMITTEE

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre-approval / omnibus approval. While granting the approval the Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company. The omnibus approval shall specify the following:

- a. Name of the related party
- b. Nature and duration of the transaction
- c. Maximum amount of the transactions that can be entered into
- d. Indicative base price / current contracted price and formula for variation in price, if any
- e. Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied / amended. Any proposed variations / amendments to these factors shall require a prior approval of the Committee.

Further, where the need of the related party transaction cannot be foreseen and all prescribed details are not available at the beginning of the year, Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only). The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification. Further, the Committee shall on an annual basis review and assess such transactions including the limits to ensure that they are in compliance with this Policy. The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

4.2.5 TRANSACTIONS NOT IN ORDINARY COURSE OF BUSINESS OR NOT AT ARM'S LENGTH

In case of related party transaction which is not in the ordinary course of business or which is in the ordinary course of business but is not arm's length transaction, prior approval of the Board *vide* a resolution passed at the meeting of the Board shall be necessary.

All Related Party Transactions in excess of the limits prescribed under the Companies Act, 2013 read with the relevant Rules made thereunder which are not in the Ordinary Course of Business or not at Arms' Length shall also require the prior approval of the shareholders through a resolution and the Related Parties shall abstain from voting on such resolution. The list of transactions requiring prior approval of shareholders as set out under Section 188 of the Companies Act, 2013 read with Rule 15 of the Companies (Meetings of Board and its powers) Rules, 2014 along with limits, are detailed below:

(a) the contracts or arrangements with respect to clauses (a) to (e) of Section 188(1) of the Companies Act, 2013 (referred in Clause 4.2.3 of this Policy) with criteria, as mentioned below—

(i) sale, purchase or supply of any goods or materials, directly or through appointment of agent, amounting to ten percent or more of the turnover of the Company or Rupees One Hundred Crore, whichever is lower, as mentioned in clause (a) and clause (e) respectively of Section 188(1);

(ii) selling or otherwise disposing of, or buying property of any kind directly or through appointment of agent, amounting to ten percent or more of net worth of the Company or Rupees One Hundred Crore, whichever is lower, as mentioned in clause (b) and clause (e) respectively of Section 188(1);

(iii) leasing of property of any kind amounting to ten percent or more of the net worth of the Company or ten percent or more of the turnover of the Company or Rupees One Hundred Crore, whichever is lower as mentioned in clause (c) of section 188(1);

(iv) availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the Company or Rupees Fifty Crore, whichever is lower as mentioned in clause (d) and clause (e) respectively of section 188(1);

(b) appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of Section 188(1); or

(c) remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding one percent of the net worth as mentioned in clause (g) of section 188(1).

4.2.6 RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable i.e. within three months before the Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification. The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Committee or Board or Shareholders deems appropriate under the circumstances.

4.3 DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS

Every Related Party Transaction entered into by the Company shall be referred to in the Board's report. The Company Secretary and 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.

5. POLICY REVIEW AND AMENDMENTS

The Board of Directors reserves the power to review and amend this policy from time to time. Any exceptions to the Policy on Related Party Transactions must be consistent with the Companies Act 2013, including the Rules promulgated there under and/or the Corporate Governance Directions of the NHB and must be approved in the manner as may be decided by the Board of Directors.

In the event of any conflict between the provisions of this Policy and the Companies Act, 2013 or any other statutory enactments, rules, the provisions of Companies Act, 2013 or statutory enactments, rules and NHB Directions and Guidelines shall prevail over this Policy.
