

Related Party Transactions Policy

PREAMBLE

Shapoorji Pallonji Finance Private Limited ("**The Company**" or "**SPFPL**") is registered with the Reserve Bank of India ('**RBI**') as a Non – Banking Financial Company not accepting or holding deposits. As stipulated by RBI, the Board of Directors of SPFPL ("**Board**") has laid down the following Internal Guidelines on Corporate Governance, including this policy on Related Party Transactions. This Policy has been framed in order to comply with the directions of the RBI along with the effective compliance with the provisions of the Companies Act, 2013. This policy provides a framework for governance and reporting of Related Party Transactions.

SPFPL is part of Shapoorji Pallonji Group. SPFPL is committed in conducting its business in accordance with applicable laws, rules and regulations with the highest standards of business ethics and ethical conduct. Corporate Governance is about maximizing shareholders' value on a sustainable basis and ensuring fairness to all other stakeholder of the Company. During the course of business operations of the Company, there are likely to be transactions between parties, who under various regulations, particularly the Companies Act, 2013 ('**the Act**') and Rules framed thereunder and the Accounting Standards on Related Party Disclosures ('Accounting Standard 18') as notified from time to time, will be considered to be transactions with Related Parties.

The Board, in order to ensure transparency, shareholder confidence and in adherence to the rules for Related Party Transactions ("**RPT**") have adopted the following policy and procedures with respect to Related Party Transactions of the Company.

PURPOSE

This Policy is framed as per the requirement of applicable provisions of the Act and the Rules framed thereunder and RBI Guidelines issued in this regard and intend to ensure the proper approval and reporting of transactions between the Company and its Related Parties.

The Company is required to disclose each year in the Financial Statements, transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

DEFINITIONS

1. "**Act**" means the Companies Act, 2013, and the Rules framed thereunder including any modifications, amendments, clarifications, circulars or re-enactments thereof from time to time.
2. "**Arm's length transactions**" means transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
3. "**Associate**" means an enterprise in which the Company has a significant influence, but which is not a subsidiary company of the Company having such influence and includes a joint venture company and the term "**Associate Company**" shall be interpreted accordingly. For the purpose of this definition, "**Significant Influence**" means control of at least 20% (twenty percent) of total voting power or control or participation in business decisions under an Agreement.
"**Joint Venture**" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.
4. "**Audit Committee**" means the Audit Committee of the Board of Directors of the Company constituted under the provisions of the RBI Guidelines issued in this regard and shall have the similar meaning as defined under Section 177 of the Companies Act, 2013 to the extent applicable to the Company.
5. "**Board**" means Board of Directors of the Company
6. "**Company Secretary**" means a person who is appointed by the Company to perform the functions of the Company Secretary under provisions of the Companies Act, 2013;
7. "**Key Managerial Personnel**" means -
 - (a) the Chief Executive Officer or the Managing Director or the Manager;
 - (b) the Company Secretary;
 - (c) the Whole - Time Director(s);

- (d) the Chief Financial Officer;
- (e) 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
- (f) such other officer as may be prescribed under Section 2(51) of the Act or Rules framed thereunder.

8. **“Material Related Party Transaction / Contract / Arrangement”** means any one of the following transactions with the Related Party which individually or taken together with previous transactions during a financial year in the ordinary course of business, on arms’ length basis and fulfilling the criteria of threshold limit as specified respective transaction:-
- a) sale, purchase or supply of any goods or materials, directly or through appointment of agent - amounting to 10% or more of the turnover of the company
 - b) selling or otherwise disposing of, or buying, property of any kind; directly or through appointment of agent - amounting to 10% or more of net worth of the company
 - c) leasing of property of any kind- amounting to 10% or more of the turnover of the Company
 - d) availing or rendering of any services; - directly or through appointment of agent, amounting to 10% or more of the turnover of the company
 - e) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company - at a monthly remuneration exceeding Rs. 2,50,000/-;
 - f) underwriting the subscription of any securities or derivatives thereof, of the company – Remuneration for underwriting exceeding 1% of the net worth; and
 - g) payments with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into, exceed 2% of the annual turnover of the Company.

The Turnover or Net worth referred above shall be computed on the basis of the audited financial statement of the preceding financial year.

9. **“Ordinary course of business”** for the purpose of this Policy will cover the business of the Company and usual transactions, customs and practices of a business and would include activities to be carried out incidental to or to facilitate the ordinary course of business of the Company and is usual or customary to the Company and / or providing the necessary support (financial or otherwise) to its Holding Company, Associate Company, Subsidiaries, Fellow Subsidiaries (subsidiary of the Holding Company to which Company is also a subsidiary), Company(ies) having significant control on SPFPL, etc,
10. **“office or place of profit”** means any office or place—
- (i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
 - (ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
11. **“Related Party Transaction”** or **“RPT”** means any transaction between the Company on one side and the Related Party of the Company on other side.
12. **“Related Party”** with reference to a company, means -
- (a) a director or his Relative;
 - (b) a Key Managerial Personnel or his Relative;
 - (c) a firm, in which a Director, Manager or his Relative is a partner;
 - (d) a private company in which a Director or Manager or his relatives is a member or director;
 - (e) 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;
 - (f) 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 unless the advice, directions or instructions are given in a professional capacity;
 - (g) any person under whose advice, directions or instructions a Director or Manager is accustomed to act unless the advice, directions or instructions are given in a professional capacity;
 - (h) Director or Key Managerial Personnel of the Holding Company or his relative other than the Independent Director;
 - (i) any body corporate which is
 - 1. a Holding, subsidiary or an associate Company of such Company
 - 2. A subsidiary of a holding company to which it is also a subsidiary; or

3. An investing company or the venture of the company, which means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate;
- (j) any other person that may be prescribed under Section 2(76) of the Act; and
- (k) Related Party as per Accounting Standard 18.
13. **“Relative”** means relative as defined under Section 2(77) of the Act and includes anyone who is related to another in any of the following manner –
- (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); and
 - (j) sister (including step-sister).
14. **“Transaction”** with a Related Party shall be construed to include any contract or arrangement or transaction, whether single or as a group of transaction and for the purpose of applying thresholds as specified in Section 188 of the Act and the relevant Rules it shall include previous transaction(s) during the financial year with the said Related Party.

Approval process

I. Audit Committee

All Related Party Transactions which are in the ordinary course of business and on arms' length basis must be referred to the Audit Committee for its prior approval and any subsequent modification of Related Party Transaction shall also require the approval of the Audit Committee. The Audit Committee shall consider all requisite factors while considering a related party transaction for its approval.

To review a Related Party Transaction, the Audit Committee will be provided with all relevant material information of the Related Party Transaction, name of the Related Party, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, nature and duration of the transaction and justification / rational for arms' length and any other relevant information.

The Audit Committee may make omnibus approval for related party transactions which are repetitive in nature subject to the following conditions:

- a) The Audit Committee shall satisfy itself on the need for omnibus approval and that such approval is in the interest of the Company;
- b) The omnibus approval shall contain the name of the related party(ies), nature and duration of the transaction, maximum amount of transaction that can be entered into, justification / rational for arms' length, if any, and 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 make omnibus approval for such transactions subject to their value not exceeding INR 1 crore per transaction.
- c) Omnibus approval shall be valid for a period not exceeding 1 (One) Financial Year and shall require fresh approval after the expiry of such Financial Year;
- d) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- e) The Audit committee shall review, the details of the RPTs entered into by the Company pursuant to the omnibus approval given on a yearly basis.

II. Board of Directors

In case any Related Party Transactions are referred by the Audit Committee to the Board for its approval due to the transaction being-

- (i) not in the ordinary course of business, or

- (ii) not at an arm's length price,

the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering such transaction, the thresholds, etc. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances.

III. Shareholders

If a Related Party Transaction is not in the ordinary course of business, and / or not at arm's length price and exceeds certain thresholds prescribed under Section 188 of the Act and relevant rules, it shall require shareholders' approval.

IDENTIFICATION OF RELATED PARTIES

Every Director and Key Managerial Personnel of the Company is required and responsible to disclose the details of any person or entity that would be regarded as Related Party in accordance with the provisions of the Act, Rules framed thereunder and this Policy. Such Disclosure shall include disclosure of the Director, Key Managerial Personnel's and his/ her relative's concern or interest in any company or companies or bodies corporate, firms or such other association of individuals which shall include the shareholding, directorship, membership, partnership, etc.

The list of Related Parties as envisaged in this Policy shall be prepared and reviewed at least on an annual basis.

RELATED PARTY TRANSACTIONS NOT APPROVED PREVIOUSLY

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 before the Audit Committee or Board or the Shareholders as may be required in accordance with the provisions of Section 188 and other applicable provisions of the Companies Act, 2013 and Rules framed thereunder and this Policy and for review and ratification. The Audit Committee or the Board or the Shareholders shall consider all relevant facts and circumstances in relation to 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 Audit Committee or Board or the Shareholders deems appropriate under the circumstances.

OUTSOURCING TO A RELATED PARTY

In case the Company decides to outsource or intends to outsource any of its financial activities and any such other services to a related party, it shall do so in accordance with the Outsourcing Policy of the Company framed in accordance with the RBI Directions applicable to the Company and the Directions issued by RBI in this regard from time to time.

IMPLEMENTATION

This Policy is effective from the date as approved by the Board of Directors of the Company.

REVIEW

This Policy shall be reviewed by the Board / Audit Committee of the Company at least on an annual basis.

DISCLOSURE

The Policy is made available on the website of the Company and a web link thereto shall be provided in the Company's Annual Report. The Company shall disclose the Material Related Party Transaction / Agreement / Contract, if any, in the Annual Report of the Company.

LIMITATION

In the event of any conflict between the provisions of this Policy and of the Act or any other statutory enactments, rules or regulations, thereof, the Act, Rules and such regulations shall prevail over this Policy and any subsequent amendment to the applicable laws in this regard shall be automatically applicable to this Policy.