

L&T FINANCE HOLDINGS LIMITED
POLICY ON RELATED PARTY TRANSACTIONS
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VERSION CONTROL

Version	Date of adoption	Change Reference	Owner	Approving Authority
1.	June 2014	-	Accounts & Secretarial	Board of Directors
2.	October 2014	Changes due to amendments in the regulatory provisions.	Accounts & Secretarial	Board of Directors
3.	October 2017	Change of reference to regulations.	Accounts & Secretarial	Board of Directors
4.	October 2018	Annual review and updation of regulatory provisions.	Accounts & Secretarial	Board of Directors
5.	April 2019	Changes to reflect the applicable regulatory provisions.	Accounts & Secretarial	Board of Directors
6.	October 2019	Annual review and updation basis regulatory provisions and guidance note issued by ICSI.	Accounts & Secretarial	Board of Directors
7.	October 2020	Annual review (No change)	Accounts & Secretarial	Board of Directors
8.	October 2021	Annual Review: <ul style="list-style-type: none"> • standardization of the clause on review/ revision of Policy. • Changes due to amendments in the regulatory provisions. 	Accounts & Secretarial	Board of Directors

Version	Date of adoption	Change Reference	Owner	Approving Authority
9.	January 2022	Changes due to amendments in the regulatory provisions.	Accounts and secretarial	Board of directors

1. BACKGROUND AND PURPOSE:

As per the provisions of the Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), a policy needs to be formulated on materiality of related party transactions and on dealing with related party transactions.

In view of the aforesaid provisions, the policy on related party transactions (“the Policy”) which lays down the mechanism to deal with transactions with related party has been adopted.

The Policy is in compliance with the requirements of the Companies Act, 2013 (“the Act”), Listing Regulations and other applicable laws.

2. DEFINITIONS:

- a) “Arm’s length transactions” means transactions between two related parties that are conducted as if they were unrelated, so that there is no conflict of interest.
- b) “Material Related Party Transactions” would mean related party transactions as defined under Regulation 23(1) and 23(1A) of Listing Regulations and/or contracts or arrangements given under Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, requiring approval from shareholders.
- c) “Related Party” is a party as defined in sub-section (76) of Section 2 of the Act and Regulation 2(1) (zb) of the Listing Regulations
- d) “Related Party Transactions” or “RPTs” means transactions as given under Section 188 of the Act including rules thereof and as defined in Regulation 2(1) (zc) of the Listing Regulations.
- e) "Material modification means any change to the limit exceeding 10% of value of the original transaction with the related party already approved by the Audit Committee/ Board/ Shareholders."

3. TERMS OF THE POLICY:

All RPTs must be referred to the Audit Committee of the Listed Entity for prior approval, irrespective of its materiality and any subsequent Material modification to any existing RPTs. The Audit Committee shall also approve any subsequent modification in the RPTs. The onus will be on the Corporate Accounts Team to refer the RPTs or potential RPTs to the Audit Committee. The Audit Committee shall consider the following while approving an RPT:

- a) Nature of relationship with the related party;
- b) Nature, material terms, monetary values and particulars of the contract or arrangement;
- c) Method and manner of determining the pricing and other commercial terms;
- d) Whether the transaction is at arm’s length; and

- e) Any other information relevant or important for the Audit Committee / Board to take a decision on the proposed transaction.

Audit Committee may also grant omnibus approval for RPTs proposed to be entered into by the Company subject to fulfillment of the following conditions:

- a) The Audit Committee shall lay down the criteria for granting the omnibus approval and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b) The Audit Committee shall satisfy itself about the need for such omnibus approval and that such approval is in the interest of the Company.
- c) Such omnibus approval shall specify (i) the name(s) 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;

Provided that where the need for RPTs 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.

- d) Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- e) Audit Committee shall review on a quarterly basis, the details of RPT entered into by the Company pursuant to each of the omnibus approval given.

When any transaction for an amount not exceeding one crore rupees is entered by Director or officer of the Company without obtaining the approval of the Audit Committee, it has to be ratified by the Audit Committee within 3 (three) months from the date of the transaction. If the transaction is with the related party to any Director or is authorised by any other Director, the Director concerned shall indemnify the Company against any loss incurred by it.

No prior approval of Audit Committee is required to be obtained by the Company, if the RPTs are proposed to be entered into with its wholly owned subsidiaries.

Since, the Company is a CIC consisting of several subsidiary and associate (“S&A”) companies, often transactions entered into with S&A companies would result in RPTs. However, it is to be considered that subsidiaries are formed for particular purposes like requirement of specific regulatory authorities, venturing into new sectors, etc. Though the transactions entered into with S&A companies may be RPTs, they would be generally in the ordinary course of business itself and it would be ensured that the transactions are at arm’s length.

4. APPROVAL OF TRANSACTIONS:

a) AUDIT COMMITTEE

All RPTs and subsequent Material modification, irrespective of whether they are in the ordinary course of business or at an arm's length basis will require prior approval of Audit Committee.

Provided that only those members of the Audit Committee, who are independent directors, shall approve RPTs.

RPTs 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 listed entity with effect from April 1, 2022.
- 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 standalone turnover, as per the last audited financial statements of the subsidiary with effect from April 1, 2023.

Provided that prior approval of the audit committee 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 regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

b) BOARD:

Generally, all RPTs would be in the ordinary course of business and at arm's length price.

RPTs which are not at arm's length and which are not in the ordinary course of business and/or which requires shareholders' approval would be approved by the Board.

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.

c) SHAREHOLDERS:

All Material RPTs and subsequent Material modification would require approval of the shareholders, based on recommendation of the Board, through ordinary resolution passed at the general meeting.

Provided that prior approval of the shareholders 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

regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

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 an ordinary resolution in the general meeting, it has to be ratified by the Board or by the shareholders at a meeting, as the case may be, within three months from the date on which such contract or arrangement was entered into.

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

5. RELATED PARTY TRANSACTIONS THAT SHALL NOT REQUIRE APPROVAL:

Following Related Party Transactions shall not require any separate approval under this Policy:

- a. Transactions to be entered into with its wholly owned subsidiaries and with effect from April 1, 2022, transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- b.
- c. Any transaction pertaining to appointment and remuneration of Directors and KMPs that require approval of the Nomination and Remuneration Committee of the Company and the Board;
- d. Transactions that have been approved by the Board and Audit Committee under the provisions of the Companies Act, 2013 e.g. inter-corporate deposits, borrowings, investments etc. with or in wholly owned subsidiaries or other Related Parties;
- e. Payment of Dividend;
- f. Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off etc. which are approved by the Board and carried out in accordance with the specific provisions of the Companies Act, 2013 or the Listing Regulations, 2015;
- g. Contribution towards Corporate Social Responsibility (CSR) within the overall limits approved by the Board that require approval of the CSR Committee.

6. DISCLOSURE:

Appropriate disclosures as required under the Act and the Listing Regulations will be made in the Financial Statements, Board's Report, to the Stock Exchanges, on the website of the Company and such other places as may be specified under law.

7. REVIEW / REVISION OF POLICY:

If at any point a conflict of interpretation / information between the Policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities (“Regulatory Provisions”) arises, then interpretation of the Regulatory Provisions shall prevail.

In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the Policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions.