

**L&T FINANCE HOLDINGS LIMITED**  
**POLICY ON RELATED PARTY TRANSACTIONS**

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**VERSION CONTROL**

<b>Version</b>	<b>Date of adoption</b>	<b>Change Reference</b>	<b>Owner</b>	<b>Approving Authority</b>
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

## **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) “Arms 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.

## **3. TERMS OF THE POLICY:**

All RPTs must be referred to the Audit Committee of the Company for prior approval, irrespective of its materiality. 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 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) 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 would be approved by the Board.

##### **b) SHAREHOLDERS:**

All Material RPTs would require approval of the shareholders, based on recommendation of the Board, through ordinary resolution passed at the general meeting. However, approval of the shareholders would not be required to be obtained by the Company if the proposed transaction is to be entered into with its wholly owned subsidiaries.

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 a 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. 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.

#### **6. 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. The Board and/or its Committee reserve(s) the right to alter, modify, add, delete or amend any of the provisions of the Policy.