

**MOTILAL OSWAL HOME FINANCE LIMITED**

**POLICY ON MATERIALITY AND DEALING WITH RELATED  
PARTY TRANSACTIONS**

**Version 1.0**

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## VERSION DETAILS

Sr. No.	Details of Changes	Date of Creation/Change	Department	Version Number	Approved By
1	Original Document	April 26, 2022	Corporate Secretarial	Ver. 1.0	Board of Directors

## SCOPE OF THE POLICY

This Policy is prepared to ensure effective good corporate governance and specifically in accordance with the provisions of Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") (as amended from time to time) dealing with Related Party Transactions (RPTs), as applicable to the Company.

Accordingly, this Policy will be applicable to Motilal Oswal Home Finance Limited (the "Company" or "MOHFL"). This Policy is to regulate transactions by the Company with related parties of the Company, based on the laws and regulations applicable to the Company. Further, w.e.f. April 01, 2023, this Policy will also regulate transactions by the Company with any person/entity, the purpose and effect of which, is to benefit a related party of the Company or any of its subsidiaries.

## OBJECTIVE

The Company recognizes that RPTs can present potential or actual conflicts of interest and may raise questions about whether such transactions are fair and on arm's length basis. Therefore, this Policy on RPTs has been formulated as required by Listing Regulations.

This Policy applies to any RPTs, unless the transaction is exempt.

## DEFINITIONS

**"Act"** shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications or re-enactment thereof.

**"Arm's Length Transaction"** 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 or Committee"** means Audit Committee constituted by the Board of Directors of the Company under provisions of the Act, Listing Regulations and Chapter IX (Corporate Governance) Master Direction - Non-Banking Financial Company - Housing Finance Company (Reserve Bank) Directions, 2021.

**"Associate Company"** means any other company, 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.

*Explanation – (a) the expression "significant influence" means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an agreement*

**"Board"** means Board of Directors of the Company.

**"Company"** means Motilal Oswal Home Finance Limited.

**“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (as amended from time to time).

**“Key Managerial Personnel”** means key managerial personnel as defined under the Companies Act, 2013 and rules thereunder.

**“Material Related Party Transaction(s)”** means a transaction(s) to be entered into with a Related Party, individually or taken together with previous transactions during a financial year, exceeding the following thresholds:

- i) In case of transactions involving payments made with respect to brand usage or royalty, if it exceeds 5% of the annual turnover of the listed entity as per its last audited financial statements.
- ii) In case of any other transaction(s), if the transaction amount exceeds rupees one thousand crore or 10% of the annual turnover of the Company as per its last audited financial statements of the Company, whichever is lower.

**“Material Modifications”** means the following modifications:

- A variation in the value of the transaction/contract as originally approved, by 25% or more; or
- The terms of the contract cease to be at arms’ length; or
- Granting of any waiver, abatement or any other relief to either party, which results into a financial implication equal to 25% or more of the value of the contract; or
- Extension of tenure of the contract by more than 2 years over the original tenure, or continuation of the contract or arrangement beyond the tenure originally agreed upon, except for completion of any residual performances.

**“Ordinary Course of Business”**: The Company has and shall identify RPTs in accordance with Section 188 of the Act and Regulation 2(1)(zc) of the Listing Regulations. The Company has also formulated criteria for determining whether transaction is in ordinary course of business and for this purpose, the Company shall seek external professional opinion, if necessary. While the Ordinary Course of business is not defined under the Companies Act, 2013 and/or Listing Regulations, it means usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake if:

- i. the Memorandum of Association of the Company permits such activity; or
- ii. it is historical practice and there is a pattern of frequency (and not an isolated transaction); or
- iii. it is required to be undertaken in order to conduct the routine or usual transactions of the Company; or
- iv. it is a common commercial practice.

**“Policy”** means Policy on Materiality and Dealing with Related Party Transactions.

**“Related Party”** is a person or any entity which is:

- i. a related party under Section 2(76) of the Act and Rules thereunder;
- ii. a related party under the applicable accounting Standards
- iii. any person or entity forming a part of the promoter or promoter group company
- iv. any person or any entity holding equity shares:
  - 20% or more; or
  - 10% or more, w.e.f. April 1, 2023

in the Company either directly or on a beneficial interest basis as provided under Section 89 of the Act, at any time, during then immediate preceding financial year.

**“Related Party Transaction”** means any transaction involving transfer of resources, services or obligations between:

- i) a Company on one hand and a related party of the Company on the other hand;
- ii) a Company on one hand and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company, w.e.f. April 1, 2023;

regardless of whether a price is charged and includes the following transactions:

- i. sale, purchase or supply of any goods or materials;
- ii. selling or otherwise disposing of, or buying, property of any kind;
- iii. leasing of property of any kind;
- iv. availing or rendering of any services;
- v. appointment of any agent for purchase or sale of goods, materials, services or property;
- vi. such related party’s appointment to any office or place of profit in the company; and
- vii. underwriting the subscription of any securities or derivatives thereof, of the company;

*Explanation - A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.*

**“Relative”** means relative as defined under the Companies Act, 2013 which includes any one who is related to another, if –

- i. they are members of a Hindu undivided family;
- ii. they are husband and wife;
- iii. Father (including step father)
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son’s wife
- vii. Daughter
- viii. Daughter’s husband
- ix. Brother (including step-brother)
- x. Sister (including step-sister)

**“Senior Management”** includes officers/personnel of the Company who are members of its core management team excluding Board of Directors and shall comprise of all members of

management one level below the Chief Executive Officer/Managing Director/Whole-time Director/Manager, as applicable, and shall specifically include Company Secretary and Chief Financial Officer.

**Note for the above definition:** Members of management one level below shall mean Business Head(s) and Functional Heads reporting to Managing Director(s).

**Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Regulations, Securities Contracts Regulation Act or any other applicable law or regulation.**

#### **PROCEDURE FOR IDENTIFICATION OF RELATED PARTY TRANSACTIONS**

- i. In accordance with the section 189(2) of the Act, all Directors and Key Managerial Personnel shall, within a period of thirty days of his appointment, or relinquishment of his office, as the case may be, disclose to the Company, the particulars relating to his concern or interest in the other associations/entities in Form MBP-1.
- ii. In accordance with the section 184(1) of the Act, all Directors shall inform the Company of their interest (including interest of their Relatives) in other companies, firms or concerns at the first meeting of the Board of every financial year and any change in such interest during the year in Form MBP-1.
- iii. The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction is in the ordinary course of business and on an arm's length basis.

#### **APPROVAL OF RELATED PARTY TRANSACTIONS (RPTs):**

##### **Approval of RPTs by Audit Committee:**

- i. The Audit Committee shall be responsible for the granting prior approval for all RPTs and subsequent material modifications thereof. The Audit Committee may approve/ratify modifications of RPTs which are not material in nature.

Only those members of the Audit Committee, who are independent directors, shall approve related party transactions.

- ii. All the transactions which are identified as RPTs must be referred to the Audit Committee for approval in accordance with this Policy and shall be subject to review and except transactions for which omnibus approval has been obtained from Audit Committee. The Audit Committee shall consider all relevant factors while deliberating the RPTs for its approval.
- iii. Any Member of the Audit Committee who has a potential interest in any RPT will recuse himself or herself from the Meeting and shall abstain from discussion and voting on the approval of the RPT.

- iv. The Audit Committee will be provided with all relevant material information of RPTs, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company/Related Party, if any, and any other relevant matters as specified under the Companies Act and Listing Regulations.
- v. The Audit Committee shall after considering the documents/information and materials placed before them for approval in accordance with applicable law, judge if the transaction is in the ordinary course of business and meets the arm's length requirements.
- vi. In determining whether to approve, ratify, disapprove or reject a RPT, the Audit Committee, shall take into account all the factors it deems appropriate.
- vii. The Audit Committee shall review all the transactions with related parties on a quarterly basis as applicable as per the provisions of applicable laws.
- viii. The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.
- ix. Audit Committee may grant omnibus approval for RPTs proposed to be entered into by the Company subject to the following conditions:
  - a. The Audit Committee shall grant omnibus approval in respect of transactions which are repetitive in nature.
  - b. The Audit Committee shall satisfy itself 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, duration 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 information as the Audit Committee may deem fit;

Provided that where the need for RPT 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. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
  - e. Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of one financial year.
  - f. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

**Approval of RPTs by Committee through Resolution by Circulation:**

In an unforeseen event where an RPT needs to be entered due to business exigencies between two Audit Committee Meetings, the Audit Committee may approve such RPT by passing a resolution by circulation, after satisfying itself that such transaction is in the interest of the Company.

**Approval of RPTs by Board of Directors:**

1) When any transaction is executed with a Related Party pursuant to the provisions of the Act does not meet any of the following conditions, it shall seek approval of the Board of Directors of the Company, based on parameters as may be considered necessary and as required under law:

- i. Arm's length basis
- ii. Ordinary course of business

2) Transactions which are in ordinary course of business and at arm's length basis, but which according to Audit Committee's view requires Board approval.

*Explanation: The Director interested shall not be present during discussion on such RPT.*

3) All material RPTs excluding exempted transactions.

**Approval of RPTs by Shareholders of the Company:**

The following RPTs shall require prior approval of shareholders by way of an Ordinary Resolution:

- i) All material RPTs and subsequent material modifications excluding exempted transactions;
- ii) RPTs as per Act, which do not satisfy any one of the following condition i.e. (a) are not in ordinary course of business or (b) not at arm's length basis and further exceeds the threshold limits as specified under Companies (Meeting of Board and its Powers) Rules, 2014 as amended from time to time.

Provided, all persons falling under the definition of related party shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

While assessing a proposal put up before the Audit Committee/Board/Shareholders for approval, all disclosures shall be placed as per provisions applicable to the Company and various guidelines issued in this regard, from time to time.



**Exemptions:**

A transaction with related party shall be exempted from seeking requisite approvals as follows:

In accordance with the section 188 of the Act, when any transaction with a related party is in ordinary course of business and arm’s length basis, the RPT shall not be necessitated to seek approval of Board of Directors of the Company and shareholders of the Company.

In accordance with Regulation 23 of Listing Regulations, the following RPTs are exempted from obtaining approval of Audit Committee in case of RPTs and Shareholders in case of material RPTs:

- a) any RPT entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval
- b) 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
- c) transactions 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 Listing Regulations are applicable to such listed subsidiary.

**MATERIALITY THRESHOLDS FOR RPTs:**

Nature of RPT	Materiality as per the Act	Materiality as per Listing Regulations
Sale, purchase or supply of any goods or materials, directly or through appointment of agent.	10% or more of Turnover	All transactions with related party to be entered into individually or taken together with previous transactions during a financial year exceeds rupees one thousand crores or 10% (for RPT involving Brand usage or royalty, limit will be 5%) of the annual turnover as per last audited financial statement, whichever is lower.
Selling or disposing of or buying property of any kind, directly or through appointment of agent	10% or more of Net worth	
Leasing of property of any kind	10% or more of Turnover	
Availing or rendering of any services, directly or through appointment of agents	10% or more of Turnover	
Related party’s appointment to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration exceeding Rs. 2.50 Lakhs	
Remuneration for underwriting the subscription of any securities or derivatives thereof	Exceeding 1% of Net worth	

Nature of RPT	Materiality as per the Act	Materiality as per Listing Regulations
Any other transaction with related parties, other than those covered above, resulting in transfer of resources, obligation or services	-	
<p>Net worth and turnover would be as per audited financial statement of the preceding financial year.</p> <p>The Company has defined Material RPTs basis the thresholds defined in the Act and Listing Regulations, as amended from time to time.</p>		

#### **RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

In the event the Company becomes aware of any RPT that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practical 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 deems appropriate under the circumstances.

In any case, where the Committee or Board or Shareholders determines not to ratify the RPT that has been commenced without approval, the Committee or Board or Shareholders, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a RPT, the Committee or Board or Shareholders has authority to modify or waive any procedural requirements of this Policy.

Further, in case any transaction involving any amount not exceeding Rs. 1 Crore is entered into by a director or officer of the Company or any related party without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and 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 (excluding the transaction between holding company and its wholly owned subsidiary company).

#### **EXCLUSIONS**

1. Corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding as stated below:

The following transactions or arrangements shall not be considered as RPT(s):

- (i) payment of dividend;
  - (ii) subdivision or consolidation of securities;
  - (iii) issuance of securities by way of a rights issue or a bonus issue; and
  - (iv) buy-back of securities.
2. Appointment and payment of remuneration, including any variations thereto, to Directors and Key Managerial Personnel ("KMP") pursuant to the approval of Nomination and Remuneration Committee.
  3. Share based incentive plans including ESOPs, undertaken pursuant to the provisions of Act, for the benefits of the Directors or KMP pursuant to approval of the shareholders, Board and/or Nomination and Remuneration Committee of the Company, as may be applicable.
  4. Contribution with respect to Corporate Social Responsibility (CSR) to eligible entity(ies) pursuant to approval of Board or the CSR Committee.
  5. Corporate restructuring activities involving related parties, undertaken pursuant to the provisions of Act or SEBI regulations, as may be applicable.
  6. Any transaction in which the related party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as received by the related party.

## **DISCLOSURES**

The Company shall disclose the details of RPTs in the format prescribed by SEBI on half yearly basis or at such intervals as may be prescribed by SEBI from time to time.

The Company shall disclose details of RPTs as per applicable Accounting Standards in the financial statements of the Company.

The Company shall make such further disclosure of the RPTs as may be prescribed by the Act or the SEBI Listing Regulations or any other regulatory authority or statute from time to time in such format as may be prescribed.

The Policy on dealing with RPTs shall be uploaded on the Company's website.

## **REVIEW/REVISION**

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.

The Policy will be reviewed at least once in every three years by the Board.