

DRAFT RELATED PARTY TRANSACTION POLICY

1. Scope & Applicability:

This Policy is applicable to all Related Party Transactions across all business units of Tata Housing Development Company Limited and Tata Value Homes Limited and its respective subsidiaries /joint ventures/associates in India.

2. Objective

This policy is framed to endeavor to ensure due and proper compliance with the applicable provisions and provide guidance for entering into transaction with related party to ensure that proper procedure is defined and followed for approval / ratification and reporting of transactions as applicable, between the Company and any of its Related Parties.

3. Definitions:

- a) **"Act" or "The Act"** shall mean the Companies Act, 2013 and the Rules made thereunder (as amended/modified/re-enacted from time to time).
- b) **"Arms' length transaction"** means a Transaction between two related parties that is conducted as if they were unrelated, so that no conflict of interest.

Note: For determination of Arm's Length basis, guidance may be taken from the provision of Transfer Pricing under Income Tax Act, 1956.

- c) **"Ordinary Course of Business"** means all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, providing loan to subsidiaries/joint ventures/obtaining loan from holding companies in the normal routine in managing trade or business and is not a standalone transaction and includes any transaction carried out as per the Object Clause of Memorandum of Association and Articles of Association of the Company.

Note: The Company may take into account the frequency of the activity and its continuity carried out in a normal organized manner for determination what is in the ordinary course business.

- d) **"Relative"** in relation to a related party shall have the same meaning assigned to in Section 2(77) of the Act.
- e) **"Related Party"** means a person or an entity, which is a related party under section 2(76) of the Companies Act, 2013 as amended from time to time.

Note: Reference and reliance may be placed on the clarification issued by the Ministry of Corporate Affairs, Government of India and other authorities from time to time on the interpretation of the term "Related Party".

- f) **“Related Party Transactions”** means all transactions between the Company on one hand and one or more related party(ies) on the other hand including contracts, arrangements and transactions as envisaged in Section 188(1) of the Act.
- g) **“Transaction”** shall be construed to include single transaction or a group of transactions in a contract.

The words used and not defined under this policy shall have the same meaning as assigned to such words under the Act.

4. Identification of related parties and related party transactions

- a) Identification of related parties
The Company shall periodically identify and update the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed thereunder. Such periodicity shall not be more than 6 months.
- b) Identification of related party transactions
The Company has formulated process for identification of related party transactions in accordance with Section 188 of the Act. The Company has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm’s length basis and for this purpose, the Company may seek external professional opinion, if necessary.

5. Determination of approval level based on nature of transaction

a) Audit Committee approval

All Related Party Transactions and any subsequent modifications thereto, shall require the approval of the Audit Committee in accordance with this Policy.

b) Board of Directors approval

All Related Party Transactions covered under Section 188 of the Act (which primarily excludes loans, investments and providing guarantee/security etc.) that are:

- not in the ordinary course of business, or
 - in the ordinary course of business but not at arms’ length or
 - neither in the ordinary course of business nor at arms’ length
- shall require the prior approval of the Board of Directors at a Meeting of the Board.

Further, the transactions which require approved of the Board shall first be reviewed /approved by the Audit Committee.

c) Shareholders’ approval

All Related Party Transaction which falls under first proviso to section 188 of the Act and exceeds the threshold limit as prescribed under rules made thereunder (as amended/modified from time to time) shall be approved by the shareholders in the manner prescribed thereunder.

6. Review and Approval of Related Party Transactions:

- (a) All Related Party Transactions or changes therein must be reported by the Head of Accounts/Finance and to the Company Secretary and referred for the approval/review by the Audit Committee in accordance with this Policy.
- (b) All the transactions shall be categorized into A'B'C' categories for approval/ review to the Audit Committee as per following:
 - 'A' Category** for income or expenditure (i) which is exceeding 10% of each relevant schedule items or (ii) transactions which are not in ordinary course of business and/or not at arms' length: Require a prior approval of the Committee.
 - 'B' Category** for income or expenditure which is exceeding 5% of each relevant schedule items: Review half yearly by the Committee.
 - 'C' Category** for income or expenditure which are less than 5% of each relevant schedule items: Noting & Review on yearly by the Committee.

The aforesaid relevant schedule items shall be determined and approved by the Chief Financial Officer of the Company.

(c) Omnibus Approval:

- (i) Notwithstanding sub-clause (b) above, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company in respect of the transactions which are repetitive in nature.
- (ii) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- (iii) Such omnibus approval shall specify (a) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into and (b) the indicative base price / current contracted price and the formula for variation in the price if any (for ex: +/- 5-10%).

In case where the Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for those kind of transactions, subject to a financial value not exceeding Rs.1 Crore per transaction.

- (iv) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year or immediately succeeding meeting of the Audit Committee.
 - (v) Audit Committee shall review on a periodic basis (half yearly), the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.
- (d) If prior approval of the Audit Committee / Board / Shareholders as the case may be, for entering into a Related Party Transaction is not feasible, then the Related Party

Transaction shall be ratified by the Audit Committee and the Board / general meeting, if required, within 3 months of entering in the Related Party Transaction.

7. Disclosures

The Company shall disclose, in the Boards' report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.

8. Related Party Transactions Not Approved Under This Policy

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

9. Compliance with RPT Policy

- a) Every person associated with RPT shall be accountable for complying with this RPT Policy that may be in force from time to time.
- b) Director or KMP or any other employee, who had entered into or authorised the contract or arrangement in violation of the RPT policy and RPT framework shall be guilty of non-compliance
- c) In case of breach of this policy, Audit Committee and/or the Board of Directors may intimate appropriate action against the person/s responsible.

10. Administrative Measure

The Audit Committee of the Company, subject to supervision of the Board, shall be the Competent Authority for investigating and taking appropriate actions/steps for prevention or remedy of any breach and/or default in complying with this Policy. Any disciplinary action taken by the Audit Committee shall be in addition to the penal provisions of the Regulation.

11. Interpretation

Subject to the superintendence of the Board, this Policy shall be interpreted and administered by the Audit Committee.

12. Process or Standard Operating Process

The Head of Finance/Accounts form/adopt a Standard Operating Process (SOP) as guidance for related party transactions and all the employees and concern persons are required to follow the said SOP.

Effective Date: March 31, 2015