

1. Preamble

The Related Party Transactions Policy provides a framework to regulate transactions between SHFC (“Company”) and its Related Parties based on the applicable laws and regulations applicable on the Company.

2. Definitions

“Related Party” means related party as defined under sub-section (76) of section 2 of the Companies Act, 2013.

Further, any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of the shareholding in the Company shall be deemed to be a related party.

Pursuant to Section 2(76) of the Companies Act, 2013, related party with reference to a Company, means:

- i. a director or his relative;
- ii. a Key Managerial Personnel (KMP) or his relative;
- iii. a Firm, in which a director, manager or his relative is a partner;
- iv. a Private Company in which a director or manager or his relative is a member or director;
- v. a Public Company in which a director or manager is a director and holds along with his relatives, more than 2% (two per cent) of its paid-up share capital;
- vi. 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;
- vii. any person under whose advice, directions or instructions a director or manager is accustomed to act;

Provided that nothing in sub-clauses vi and vii shall apply to the advice, directions or instructions given in a professional capacity;

viii. any body corporate which is –

- A. a holding, subsidiary or an associate company of the Company;
- B. a subsidiary of a holding company to which it is also a subsidiary;
- C. an investing company or the venturer of the Company

For the purpose of clause viii above, “the investing company or the venturer of a company” means a body corporate whose investment in the Company would result in the Company becoming an associate company of the body corporate.

ix. Director (other than Independent Director) or Key Managerial Personnel (“KMP”) of the holding company or his relative;

“Relative “means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –

- a. They are members of a Hindu undivided family (HUF) ;
- b. They are husband and wife ; or
- 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)
- j. Sister (including step-sister).

“Associate Company” means a company in which the other company has significant influence but which is not a subsidiary of the Company having such influence and includes a joint venture company.

“Significant Influence” means control of at least 20 (twenty) % of the total voting power or control of 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.

“Control” shall include:

The right to appoint majority of the Directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders’/voting agreements etc.;

“Related Party Transaction” (“RPT”) means any transaction directly or indirectly involving any Related Party, which includes transfer of resources, services or obligations between the Company and a related party, regardless of whether or not a price is charged, either single or a group of transactions in a contract.

“Specific Related Party Transaction” shall mean any of the following transactions entered into by the Company with any of its Related Parties which are, either not in the ordinary course of business or not on arm’s length basis:

- a. sale, purchases or supply of any goods or materials;
- b. selling or otherwise disposing of, or buying, property of any kind;
- c. leasing of property of any kind;
- d. availing or rendering of any services;
- e. appointment of any agent for purchases or sale of goods, materials, services or property;
- f. such related party’s appointment to any office or place of profit in the company, its subsidiary company or associate company; and

- g. underwriting the subscription of any securities or derivatives thereof, of the company.

“Arm’s Length Transaction” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“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;

“Responsibility Officer” means the Chief Financial Officer (CFO) of the Company. The Board may, appoint such other officer as it may consider proper as such Responsibility Officer(s).

“Applicable Laws” means the Companies Act, 2013 and include any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.

All terms not defined herein shall take their meaning from the Applicable Laws.

3. Policy

All RPTs must be reported to the Board of Directors and referred for approval by the Board in accordance with this Policy.

4. Identification of Related Parties

The Responsibility Officer shall at all times:

- a. Identify and keep on record list of Company’s Related Parties, along with their requisite details. The Responsibility Officer shall identify such

functional heads, departmental heads and such other employees (hereinafter referred as “Designated Employees”) who are responsible for entering into contracts/ arrangements/ agreements with entities for and on behalf of the Company and circulate the list of Related Parties to all such Designated Employees of the Company along with the approval thresholds for entering into transactions with such Related Parties.

- b. The Responsibility Officer shall also set down the mechanism for reporting of such transactions proposed to be entered or entered with related parties by such Designated Employees as specified in (b) above.
- c. The record of Related Parties shall be updated whenever necessary and shall be reviewed at least once in every six months.
- d. The Responsibility Officer shall be responsible for implementation and monitoring of the Company’s RPT Policy at all times.

5. Identification of Potential RPTs

Each Director, KMP and Senior Management Personnel (SMP) is responsible for providing notice to the Board or Audit Committee of any potential RPT involving him/ her or his/ her Relative, including any additional information about the transaction that the Board may reasonably request.

The Board will determine whether the transaction does, in fact, constitute a RPT and requiring compliance of this Policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Board has adequate time to obtain and review information about the proposed transaction. In case of transactions entered without approval of Board, the same shall be placed before the Board for ratification as per the provisions of Companies Act, 2013.

6. Threshold limits & Materiality of RPT

The Committee/ Board shall fix and approve the threshold limit for each individual transaction as may be placed for approval from time to time.

Further, the Board may also fix the threshold limits for the transactions under the omnibus approval in the manner specified below.

A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

7. Review and Approval of RPTs

I. Board of Directors Approval

RPTs, if any, will be referred to the Board for review and prior approval.

The Board may grant Omnibus Approval for RPTs proposed to be entered into by the Company subject to the following conditions:

- i. It shall, after obtaining approval of the Board of Directors, lay down the criteria for granting the omnibus approval in line with the Policy, which shall include the following, namely:
 - a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - b) the maximum value per transaction which can be allowed;
 - c) extent and manner of disclosures to be made to the Board at the time of seeking omnibus approval;
 - d) review, at such intervals as the Board may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
 - e) transactions which cannot be subject to the omnibus approval by the Board.
- ii. The Board shall consider the following factors while specifying the criteria for making omnibus approval, namely:
 - a. repetitiveness of the transactions (in past or in future);
 - b. justification for the need of omnibus approval.

- iii. It shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company.
- iv. 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;
 - b) The indicative base price / current contracted price and the formula for variation in the price if any, and
 - c) Any other information relevant or important for the Board to take a decision on the proposed transaction.
 - d) Provided that where the need for RPT cannot be foreseen and aforesaid details are not available, Board may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 (One) crore per transaction.
- v. It 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.
- vi. Such omnibus approvals shall be valid for a period not exceeding 1 (one) financial year and shall require fresh approvals after the expiry of 1 (one) financial year.
- vii. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- viii. Any other conditions as the Board may deem fit.

In order to review a RPT, the Board will be furnished with all relevant material information of the RPT, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

In determining whether to approve a RPT, the Board will consider the following factors, among others, to the extent relevant to the RPT:

- a) Name of the related party and the relationship
- b) Nature and duration of transaction and material terms including the value, if any

- c) The manner of determining the pricing and whether the terms of the RPT are fair and on arm's length basis to the Company
- d) Business rationale for such transactions.

In case of transaction, other than transactions referred to in Section 188 of the Act, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board. Further, in case any transaction involving any amount not exceeding Rupees 1 (one) crore is entered into by a director or officer of the Company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within 3 (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 authorized by any other director, the director concerned shall indemnify the Company against any loss incurred by it.

The requirement of obtaining Audit Committee approval or any subsequent modification of transactions of the Company with related parties by the Audit Committee shall not apply to a transaction, other than a transaction referred to in Section 188, between a holding company and its wholly owned subsidiary company.

II. Shareholder's Approval

If the Board determines that a RPT should be brought before the Shareholders, or it is mandatory under any Applicable law for the shareholders to approve a RPT or in case of material RPTs, then such shareholder approval, as may be necessary or appropriate under

the circumstances, shall be obtained and the considerations set forth above shall apply to the Shareholders' approval of the matter.

However, all material related party transactions shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

8. RPTs not approved under this Policy

In the event the Company becomes aware of a RPT with a Related Party that has not been approved under 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 RPT, and shall evaluate all options available to the Company, including ratification, revision or termination of the RPT. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPT to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a RPT that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. The Audit Committee/ Board has authority to modify or waive any procedural requirements of this Policy with respect to existing Related Party Transactions (RPTs)

This Policy shall operate prospectively and all the agreements which have been entered before the effective date of this Policy and are in accordance with the then prevailing laws shall be valid and effective.

This Policy will be communicated to all Directors, KMPs, functional heads and other Designated Employees of the Company.

9. Disclosures/Amendment

Necessary disclosures shall be made by the Company in its Annual Report as may be required under

applicable laws.

Pursuant to Section 134(3)(h) of the Companies Act, 2013, particulars of contracts or arrangements with related parties referred to in Section 188 of the Companies Act, 2013 shall be disclosed in the Director's Report in the prescribed format.

The Company shall disclose the Policy on dealing with Related Party Transactions (RPTs) on its website.

The rights to interpret/amend/modify this Policy vests in the Board of Directors of the Company.

Any matter not provided for in this Policy shall be handled in accordance with applicable laws, and the Company's Articles of Association.

This Policy is in conformity with Applicable Laws. In case any clause /provision of this Policy is inconsistent with Applicable Laws, the provisions of such Laws shall prevail. Any subsequent amendment / modification in the Applicable Laws shall automatically apply to this Policy.

Policy Review:

This policy shall be reviewed and reassessed by the Board as and when required.