

## RELATED PARTY TRANSACTION POLICY

### 1. PREAMBLE

The Board of Directors recognizes the importance of managing related party transactions (RPTs) with transparency, fairness, and proper governance. This policy is formulated in compliance with:

- Section 188 and 189 of Companies Act, 2013
- Companies (Meetings of Board and its Powers) Rules, 2014
- RBI Master Direction – Directions on Housing Finance Companies (Reserve Bank) Directions, 2021

### 2. OBJECTIVE

The objectives of this Policy are to:

- a. Identify and monitor related party relationships and transactions;
- b. Ensure transparency and fair dealing in all related party transactions;
- c. Maintain arm's length pricing and commercial reasonableness;
- d. Ensure proper governance and approvals for RPTs;
- e. Prevent conflicts of interest and self-dealing;
- f. Ensure compliance with regulatory requirements;
- g. Protect shareholder interests and Company's interests;
- h. Provide adequate disclosures in financial statements and annual reports.

### 3. DEFINITION OF RELATED PARTY

A Related Party includes:

#### 3.1 Directors and Key Managerial Personnel (KMP)

- All directors (executive, non-executive, independent)
- Managing Director/CEO
- Chief Financial Officer (CFO)

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- Company Secretary (CS)
- Chief Internal Auditor (if appointed)

### **3.2 Relatives of Directors and KMP**

- Spouse
- Children (including adopted)
- Parent (including adoptive)
- Sibling
- In-laws (spouse's parents, siblings)
- Any other person related by blood or marriage and residing with director/KMP

### **3.3 Entities in Which Related Parties Have Interest**

- Any company, firm, or entity in which a director/KMP is:
  - A director, manager, or partner
  - A shareholder holding 20% or more of voting power
  - An authorized signatory or decision-maker
  - A trustee (including family trusts)

### **3.4 Subsidiaries and Associates**

- Any subsidiary company of the Company
- Any associate company in which Company holds significant influence
- Any joint venture in which Company participates

### **3.5 Key Management Personnel of Related Entities**

- KMP of entities in which the Company/director has significant interest or control

## **4. DEFINITION OF RELATED PARTY TRANSACTION**

A Related Party Transaction includes any transaction or arrangement between the Company and a related party, including:

#### 4.1 Financial Transactions

- Loans, advances, or credit facilities provided or received
- Guarantees, pledges, or collateral arrangements
- Deposits or investment holdings
- Lease or rental agreements
- Dividend or profit distribution

#### 4.2 Commercial Transactions

- Purchase or sale of goods or services
- Supply of raw materials or components
- Provision of technical or professional services
- Software, licenses, or intellectual property usage
- Marketing or distribution agreements

#### 4.3 Other Transactions

- Employment or appointment as director/officer/consultant
- Retirement benefits or severance arrangements
- Acquisition or disposal of assets
- Merger, amalgamation, or demerger proposals
- Settlement of disputes or claims
- Assignment of contracts or liabilities

#### 4.4 Single and Aggregate Transactions

A transaction shall be deemed RPT if:

- It is a single transaction with a related party, **OR**
- It is a series of related transactions which when aggregated in a financial year exceed the threshold

## 5. IDENTIFICATION OF RELATED PARTIES

### 5.1 Disclosure Requirements

All directors and KMPs shall:

- Disclose related party relationships on prescribed form annually;
- Update disclosure whenever circumstances change;
- Disclose all entities in which they have interest;
- Provide contact details and nature of interest;
- Sign declaration confirming accuracy and completeness.

### 5.2 Verification Process

The Company shall:

- Verify disclosed information through independent sources;
- Cross-check Board resolutions and statutory filings;
- Review regulatory disclosures and public records;
- Maintain updated related party register;
- Communicate list of related parties to all departments;
- Instruct operational teams to flag potential RPTs.

### 5.3 Related Party Register

The Company shall maintain:

- Comprehensive register of all identified related parties;
- Nature and extent of relationship;
- Details of director/KMP connections;
- Updated status and contact information;
- Certificates of confirmation from directors/KMPs;
- Review and sign-off by NRC/Board annually.

## 6. THRESHOLDS FOR RELATED PARTY TRANSACTIONS

RPTs shall be categorized based on value and nature:

### 6.1 Approval Thresholds

Type of Transaction	Approval Threshold	Approving Authority
Loans/Advances	₹50 lakhs	Audit Committee
Loans/Advances	₹1 crore+	Board + Shareholder (if applicable)
Guarantees/Pledges	Any amount	Audit Committee
Services/Transactions	₹1 crore+	Audit Committee
Related Party Transactions	₹10 crore+	Board + Shareholder
RPT with Promoter/Director	Any amount	Audit Committee + Board
RPT - Salary/Remuneration	Within approved policy	No separate approval

**Note:** Thresholds subject to regulatory changes and amendments.

## 7. APPROVAL PROCESS FOR RPT

### 7.1 Identification Stage

When any transaction involving a related party is proposed:

- Department initiates transaction proposal with related party declaration;
- Compliance/Finance team identifies related party status;
- Raises flag if related party involvement confirmed.

### 7.2 Approval by Audit Committee

For RPTs below shareholder approval threshold:

- **Documentation:** Submit transaction details, commercial terms, justification;
- **Related Party Recusal:** Related party director recuses from meeting;
- **Independent Assessment:**

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- Evaluate commercial reasonableness
- Verify arm's length pricing
- Assess company's interest and benefit
- Review comparable market transactions
- **Approval:** Committee approves, approves with conditions, or rejects;
- **Minutes:** Record detailed discussion and decision;
- **Documentation:** Maintain approval records and certificates.

### 7.3 Approval by Board

For RPTs exceeding shareholder approval threshold or if required by regulations:

- **Audit Committee Recommendation:** Audit Committee recommends transaction;
- **Board Review:** Board reviews AC recommendation and transaction merits;
- **Related Party Director Recusal:** Related party director does not participate;
- **Board Approval:** Board approves transaction with terms and conditions;
- **Minutes:** Record Board discussion and approval reasons;
- **Shareholder Notice:** Prepare shareholder approval notice if required.

### 7.4 Shareholder Approval

If required by law or policy:

- **NCLT Approval:** If required for large RPTs (Section 188);
- **Shareholder Resolution:** Obtain ordinary/special resolution as applicable;
- **Independent Director Recommendation:** Independent directors' views documented;
- **Disclosure:** Provide full transaction details in notice and report;
- **Recording:** Post-approval, obtain shareholder approval certificate.

## 7.5 Contract and Documentation

After approval:

- **Formal Contract:** Execute contract embodying transaction terms;
- **Terms and Conditions:** Include pricing, payment terms, performance obligations;
- **Certifications:** Obtain director/KMP certification on accuracy and completeness;
- **Records Maintenance:** Maintain in transaction/contract file;
- **Regular Monitoring:** Track transaction execution and compliance.

## 8. ARM'S LENGTH PRICING

The Company shall ensure:

### 8.1 Pricing Principles

- **Market Rates:** Price comparable to similar transactions with unrelated parties;
- **Competitive Conditions:** Terms and conditions no more favorable than unrelated transactions;
- **Independent Valuation:** For significant transactions, obtain independent valuation;
- **Benchmarking:** Compare pricing with market benchmarks and industry standards;
- **Documentation:** Maintain evidential support for pricing justification.

### 8.2 Valuation Methods

For complex transactions:

- **Comparable Uncontrolled Price (CUP):** Compare with similar transactions;
- **Cost Plus Method:** Apply appropriate markup on costs;
- **Resale Price Method:** Apply appropriate deduction from retail price;
- **Independent Appraisal:** Use third-party professional valuers;
- **Market Analysis:** Reference market studies and research.

### 8.3 Pricing Review

- Annually review pricing of ongoing RPTs;
- Adjust if market conditions change significantly;
- Document review and any adjustments;
- Obtain Audit Committee approval for significant changes.

## 9. DISCLOSURE IN FINANCIAL STATEMENTS

### 9.1 Schedule of Related Party Transactions

The Notes to Accounts shall include:

- Schedule disclosing all material RPTs;
- Name and relationship of related party;
- Nature and value of transaction;
- Terms and conditions;
- Amount outstanding at year-end;
- Maximum amount during the year.

### 9.2 Related Party Transaction Details

Specific disclosures for:

- **Loans and Advances:** Principal, interest, terms, security, default status;
- **Guarantees and Pledges:** Nature, amount, terms, recourse;
- **Sales and Purchases:** Volume, price basis, outstanding receivables/payables;
- **Services:** Type, cost, recipient, amount;
- **Key Managerial Personnel Remuneration:** Salary, benefits, and compensation breakup;
- **Directors' Interest:** Shareholding, properties, liabilities.

### 9.3 Audit Committee Declaration

The Audit Committee shall:

- Certify that all RPT approvals were properly obtained;
- Confirm transactions were conducted at arm's length;
- Declare no material non-compliance with this policy;
- Sign audit committee report with RPT certification.

## 10. CONFLICT OF INTEREST MANAGEMENT

### 10.1 Disclosure of Interest

- Directors/KMPs shall disclose interest in transactions and contracts;
- Disclosure shall be made before Board discussion and approval;
- Director/KMP shall recuse from discussion and voting;
- Abstention recorded in Board minutes;
- Related party director does not receive transaction information (if restricted).

### 10.2 Recusal from Proceedings

- Related party director shall not be present during discussion;
- Discussion shall not be shared with interested party;
- Board may seek independent advice if required;
- Formal recusal certificate shall be obtained if needed.

### 10.3 Confidentiality

- Transaction details kept confidential from related party director if required;
- Information provided only on need-to-know basis;
- Compliance with information barriers and restricted information handling;
- Protection against misuse of confidential information.

## 11. MONITORING AND REVIEW

### 11.1 Ongoing Monitoring

- Finance team monitors RPT execution and compliance;
- Quarterly report on pending and ongoing RPTs;
- Flag any deviations from approved terms;
- Review payment receipts and settlement patterns;
- Verify transaction documentation completeness.

### 11.2 Audit Committee Review

- Quarterly review of all RPTs;
- Assessment of compliance with approval terms;
- Review of arm's length pricing maintenance;
- Investigation of any irregularities or deviations;
- Assessment of Company's interest protection.

### 11.3 Annual Certification

The CFO and CEO shall:

- Annually certify that all RPTs were approved as per policy;
- Confirm transactions were conducted at arm's length;
- Declare no prohibited transactions occurred;
- Identify any improvements needed in RPT process;
- Sign certification and file with Board.

## 12. PROHIBITED TRANSACTIONS

The Company shall NOT enter into:

- a. **Credit transactions** with directors/officers above specified thresholds without board approval;
- b. **Loans for share acquisition** to directors or employees for purchasing Company shares;
- c. **Guarantees or pledges** for third-party liabilities on behalf of related parties;
- d. **Dividend or advance** to related parties without proper approval;
- e. **Related party transactions** for insider trading or market manipulation;
- f. **Transactions** designed to circumvent this policy or regulatory requirements;
- g. **Self-dealing transactions** where director has undisclosed interest;
- h. **Preferential transactions** that disadvantage the Company or other shareholders;
- i. **Transactions** with persons disqualified or under regulatory action.

## 13. EXCEPTIONS AND WAIVERS

### 13.1 Standard Transactions

Transactions not requiring specific RPT approval:

- Salary and allowances paid under Board-approved remuneration policy;
- Retirement and post-retirement benefits under policy;
- Employment as director/officer on Board-approved terms;
- Transactions in ordinary course of business at standard terms (e.g., bank accounts, deposit boxes);
- Transaction amounts below ₹5 lakhs in a financial year.

### 13.2 Waiver Process

- Audit Committee may grant waiver for procedural compliance;
- Waivers granted only in exceptional circumstances;
- Conditions imposed for substantive compliance;
- Documented and reported to Board immediately;
- No waiver for material non-compliance or regulatory breach.

## 14. REPORTING AND DISCLOSURE

### 14.1 Stock Exchange Disclosures

- Submit Form PCS (in case of material RPT) to stock exchange;
- Make announcement on stock exchange within required timeframe;
- Upload transaction details on exchange website;
- Respond to exchange queries promptly.

### 14.2 Annual Report Disclosures

- Related Party Transaction Policy summary and URL;
- List of identified related parties;
- Summary of material RPTs and approvals;
- Related party transaction schedule in Notes to Accounts;
- Audit Committee's certification on RPT compliance;
- Statement of Board approval and shareholder approval.

### 14.3 Regulatory Filings

- Submit related party transaction details to RBI as required;
- Compliance report to regulatory authorities;
- Response to regulatory queries and inspections;
- Updated disclosures if policies or transactions change.

## 15. VIOLATIONS AND CORRECTIVE ACTION

### 15.1 Identification of Violations

- Audit Committee investigates any suspected RPT violations;
- Internal audit flags non-compliant transactions;
- Whistleblower mechanism reports concerns;
- External auditor raises findings.

### 15.2 Consequences

- Related party director may face removal from Board;
- Remuneration or contract may be forfeited;
- Company may pursue recovery of amounts;
- Regulatory report filed with RBI;
- Appropriate action under disciplinary policy;
- Whistleblower protection ensured.

### 15.3 Corrective Action

- Transaction corrected through adjustment or reversal;
- Excess payment recovered from related party;
- Policy process strengthened to prevent recurrence;
- Training provided to relevant staff;
- Board review and policy amendments if needed.

## 16. POLICY REVIEW AND AMENDMENTS

- Policy reviewed annually by Audit Committee and Board;
- Updated for regulatory changes and amendments;
- Communicated to all staff and related parties;
- Published on Company website;

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- Training provided on policy requirements and procedures.

For Navarathna Housing Finance Ltd.,



(Managing Director)