

# **ITI Housing Finance Limited**

## **Policy on Related Party Transactions**

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| Name of the Policy | Policy on Related Party Transactions |
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| Approved by        | Board of Directors                   |
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## POLICY ON RELATED PARTY TRANSACTIONS

### 1. Introduction

This Policy has been prepared in compliance of the provisions of Reserve Bank of India (Housing Finance Companies) Directions, 2025, Reserve Bank of India (Non Banking Financial Companies - Credit Risk Management) and provisions of the Companies Act 2013 and rules made thereunder.

### 2. Objective

Purpose of this policy is to lay down the procedures and disclosures with regard to Related Party Transactions and thereby ensuring transparency between such transactions

### 3. Effectiveness

This policy shall come into effect from the date of approval by the Board of Directors of the Company or any committee of the Board to which power has been delegated.

### 4. Definitions

**“Act”** means Companies Act, 2013 and rules made thereunder, as amended from time to time.

**“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.

**“Associate Company”** In terms of Section 2(6) of the Companies Act, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company. For the purposes of this term ‘Associate Company’, “significant influence” means control of at least twenty per cent of voting power, or control or participation in business decisions under an agreement.

**“Audit Committee”** means the committee of the Board of Directors constituted in accordance with the provisions of Companies Act, 2013 and Rules made thereunder.

**“Board”** means Board of Directors of the company

**“Directors”** means Directors appointed by the Board including executive, non-executive and independent directors.

**“Ordinary course of business”** means the 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 as per Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the

statutory requirements and other industry practices and guidelines.

**“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 agreements or voting agreements or in any other manner.

**“Key Managerial Personnel” or “KMP”** means the following key managerial personnel:

- a. Chief Executive Officer and / or Managing Director or Manager of the Company;
- b. Chief Financial Officer of the Company;
- c. Company Secretary of the Company;
- d. Whole Time Director of the Company;
- e. Chief Operating Officer; and
- f. Such other officer of the Company as may be decided by the Nomination and Remuneration Committee.

**“Independent Director”** means a director referred to in Section 149 (6) of the Companies Act, 2013.

**“Material Related Party Transaction”** means a transaction with a related party if the transaction / transactions 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 company as per the last audited financial statements of the Company.

**“NHB Guidelines”** means and includes NHB Act, 1987, Housing Finance Companies Directions, 2025, NHB Notifications, Circulars and others such communications thereto.

**“Policy”** means Related Party Transaction Policy.

**“Related Party”** means related party as defined under Section 2(76) of the Companies Act, 2013. Related Party with reference to a company means –

- (i) a director or his/her relative;
- (ii) key managerial personnel or his/her relative;
- (iii) a firm, in which a director, manager or his/her relative is a partner;
- (iv) a private company in which a director or manager or his/her relative is a member or director;
- (v) a public company in which a director or manager is a director and holds along with his/her relatives, more than 2% 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 on 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 such company;
- (B) a subsidiary of a holding company to which it is also a subsidiary; or
- (C) an investing company or the venturer of the company (Explanation- for the purpose of this clause, “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) such other person as may be prescribed; Rule 3 of the Companies (Specification of definitions details) Rules, 2014, provides that a director other than Independent Director or key managerial personnel of the holding company or his relative with reference to a company shall be deemed to be a related party.  
‘Related Party’ with respect to a NBFC shall mean a related person, or any of the following entities:

**“Related Party Transaction”** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

**“Relative”** In terms of Section 2(77) of the Companies Act, 2013 read with the Companies (Specification of definitions details) Rules, 2014 a person is said to be a relative of another, if –

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

**‘Related Party’** with respect to a HFC/NBFC shall mean a related person, or any of the following entities:

- (a) where a related person is a partner, manager, KMP, director or a promoter; or
- (b) where a related person is a shareholder with more than ten per cent of paid-up equity share capital; or
- (c) where a related person is having control, whether singly or jointly with another person; or
- (d) where a related person controls more than twenty per cent of voting rights on account of ownership or through a voting agreement or through any other arrangement; or
- (e) where a related person has the power to nominate a director to its Board; or
- (f) which is accustomed to act on the advice, direction, or instruction of a related person; or
- (g) where a related person is a guarantor or a surety; or
- (h) where a related person is a trustee or an author or a beneficiary and where the entity is in the form of a private trust; or
- (i) which is related to the related person as a subsidiary or a parent company or a holding company or an associate or a joint venture.

Provided that, nothing sub-clause (e) above shall apply in cases where the authority to nominate a director arises exclusively from a lending or financing arrangement.

Provided further that, nothing in sub-clause (f) above shall apply to the advice, directions or instructions given in a professional capacity.

Provided further that, Government of India / State Government-owned or controlled entities shall not be treated as related parties to a government-owned NBFC just by virtue of the fact that the Government has the common ownership or control of such entities.

**‘Related Person’** with respect to a HFC/NBFC shall mean a person, and the relatives of such a person, where the person:

- (a) is either a promoter, or a director, or a KMP of the NBFC; or
- (b) owns more than five per cent of paid-up equity share capital of the NBFC or can, either singly or jointly, exercise more than five per cent of the voting rights of the NBFC on account of either ownership or voting agreement or through shareholders’ agreement or through any other arrangement; or
- (c) can, through an agreement with the NBFC, nominate a director to its Board; or
- (d) is either singly or jointly, in control of the NBFC.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 or NHB Act, 1987, NHB Directions, Notifications, Circulars or guidelines as may be amended from time to time

shall have the meaning respectively assigned to them therein.

#### 5. Terms of the Policy

- All the Related Party Transactions proposed to be entered by the Company shall require approval of the Audit Committee including the transactions to be entered not in the ordinary course of business. The Audit Committee shall recommend the Related Party Transaction(s) for the approval of Board of Directors/ Shareholders as per the terms of this policy and the applicable provisions of Act including any amendment(s) / modification (s) thereto.
- The Related Party Transactions entered into in the Ordinary Course of Business and transacted at Arms' Length shall not require approval of the Board of Directors. However, all related party transactions to be entered by the Company shall require prior approval of the Audit Committee.
- All Related Party Transactions as defined under the Section 188 (1), exceeding the threshold limits prescribed under rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 (or any amendment thereto), shall require prior approval of the Audit Committee, Board of Directors and Shareholders of the Company by way of a Special resolution.

#### 6. Approval procedure of Related Party Transactions

- Every potential Related Party Transaction shall be reviewed by Audit Committee on quarterly basis to ensure that no conflict of interest exists and evaluate it from the perspective of Arms' Length Pricing and is subject to the prior approval of the Audit Committee whether at a meeting or by resolution by way of circulation.
- Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the related party transaction.
- Audit Committee shall have all the rights to call for information/documents in order to understand the scope of the proposed related party transactions and devise an effective control system for the verification/review of supporting documents.
- Upon completion of its verification/review of the transaction, the Audit Committee may determine whether to allow or disallow from entering into the Related Party Transaction. The Audit Committee shall also have the right to suggest any modification(s) in the proposed related party transaction.

#### 7. Omnibus Approval of Related Party Transactions

- The Audit Committee may grant omnibus approval, pertaining to the transactions in the nature of ordinary course of business or repetitive in nature or with respect to such ceiling approval and that such approval is in the best interest of the company. Such omnibus approval shall be in accordance with the provisions of Act and shall specify the conditions/criteria on the basis of which approval has been granted. The omnibus approval shall provide name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into in a financial year.
- Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to omnibus approval given.
- Such approval granted will be valid for the period not exceeding one year and shall be ratified by the board at the next board meeting.

#### 8. Review and approval of Related Party Transactions by Board of Directors and Shareholders

- In case the Audit Committee determines that the Related Party Transaction requires the approval of the Board of Directors or Shareholders as per the terms of this policy and applicable regulatory provisions then, it shall refer the said Related Party Transaction to the Board of Directors for its approval along with all the relevant information/ documents pertaining to the same which may include Nature of the transaction, Key terms, Key covenants, Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction.
- The Board shall review the Related Party Transaction and recommendations of the Audit Committee, if any, and shall have the authority to call for such additional information/documents as it may deem appropriate and may approve with or without modification(s) or reject the proposed related party transaction as per the terms of this policy and other applicable regulatory provisions.
- In case, the Board determines that the Related Party Transaction requires approval of the shareholders as per the terms of this policy and applicable regulatory provisions then, it shall refer the said Related Party Transaction to the shareholders for its approval along with all the relevant information/ documents pertaining to the same, as per the appropriate regulatory provisions.

#### 9. Governance Structure

- Identification of Potential Related Party Transactions

In terms of **Section 188 (1)** of the Companies Act, 2013, the Company cannot enter into any contract or arrangement with a Related Party, without the consent of the Board with respect to the following contracts/ arrangements viz.

- a. sale, purchase 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 purchase or sale of goods, materials, services, property;
- f. appointment to any office or place of profit in the company
- g. underwriting the subscription of any securities or derivatives thereof, of the company

In relation to the above, the expression “office or place of profit” has been explained to mean 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/she 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.

2. In terms of the third proviso to Section 188(1) of the Companies Act, 2013, the consent of the Board and the shareholders of the Company will not be required in case any of the aforementioned transactions entered into by the Company are in the ordinary course of business and on an arm’s length basis.

3. All related party transaction shall require prior approval of the Audit Committee / Board/ Shareholder as applicable, however, in cases where transaction has been done whether inadvertently or due to requirement of urgency the Audit Committee / Board may ratify the decision. However, this ratification should be done within 3 months of the contract having taken place otherwise the transaction shall be voidable at the option of Board / Committee.

4. Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board shall record the disclosure of interest and /Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

5. Any employee of the Company who is aware of any transaction that is or may be perceived to be a Related Party Transaction is required to bring the same to the attention of the Board/ Audit Committee of the Company.
6. The Related Party list shall be updated periodically and shall be reviewed by the Audit Committee/ Board at least once a year, in its first meeting after closing of the previous financial year.
7. The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Board/ Audit Committee has adequate time to obtain and review information about the proposed transaction.
8. The Audit Committee shall confirm to the Board whether the Related Party Transactions entered into by the Company during the period under consideration were on an arm's length basis and in the ordinary course of its business.
9. No Quid Pro Quo: The Company shall not extend any benefit (financial or otherwise) to a Related Party in expectation of any reciprocal benefit, directly or indirectly.

➤ Recusal Requirements

Any Director, KMP, Senior Officer, or specified employee who has a direct or indirect interest in a Related Party transaction shall:

- Disclose such interest immediately to the Board / Committee in writing
- Recuse themselves from all deliberations, discussions, and decision-making processes pertaining to that transaction
- Not be present in the meeting when such transaction is considered, unless specifically requested by the Board for providing factual information only
- Not exercise their vote on the resolution approving any transaction in which they are interested.

➤ The following transactions with Related Parties are strictly prohibited:

- Extending any loan or credit facility to a Director, Promoter, or KMP against the security of shares of the Company
- Financing the purchase of shares issued by the Company to its promoters/directors or their relatives
- Extending loans for the purpose of acquiring shares in the Company or its group entities, beyond limits prescribed by RBI
- Any transaction that contravenes Section 20 of the Banking Regulation Act, 1949 (as applicable to NBFCs) or Sections 185 and 186 of the Companies Act, 2013
- Extending credit to entities in which a Director or KMP is a partner, if such partner would be personally liable for the debts of such entity, without specific Board approval
- Any transaction that is not on arm's length terms, or that confers a benefit not

- available to non-related parties
- Any transaction designed to circumvent the provisions of this Policy or the applicable RBI Directions

#### 10. Disclosures

- The Company shall disclose Related Party Transactions in the Financial Statements and Annual Report of the Company in accordance with Act, Accounting Standards, and NHB Regulation It shall also put up Policy Related Party Transactions on the website of the Company and make a disclosure in the Annual Report/Financial Statements of the Company on annual basis.
- The particulars of all the Related Party Transaction entered into with the approval of the Audit Committee / Board of Directors / Shareholders shall be entered into the Register of Contracts or-Arrangements in which Directors are interested, maintained by the Company as per the provisions of the Act.

#### 11. 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.

#### 12. Audit & Oversight

- The Internal Audit will conduct quarterly reviews of all related party lending, mandatorily covering exposures to group entities and reviewing other transactions on a sample basis. It will verify compliance with this policy, the

credit policy, and RBI directions, and report any deviations to the Audit Committee and Board. The Statutory Auditors will examine all group entity exposures, review other related party lending on a sample basis, report specifically on related party exposures in the annual audit, and verify loans availed by Directors, KMPs, and their associated entities.

### 13. Amendments

- The Audit Committee and Board of Directors shall once in two years review the policy and propose modifications/ amendments, if deemed necessary, to this policy.