



IDFC FIRST Bharat Limited

Policy on Related Party Transactions

Creation and Revision History				
Creation				
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POLICY ON RELATED PARTY TRANSACTIONS

1. Preamble

The Board of Directors of IDFC FIRST Bharat Limited (the Company / IFBL), acting upon the recommendations of the Audit Committee had adopted the following policy (the Policy) and procedures with regard to Related Party Transactions (RPT). This Policy will be applicable to the Company so as to regulate transactions between the Company and its Related Parties (RP) as required under the provisions of Companies Act, 2013 (the Act) and Accounting Standards, other laws, rules, regulations, circulars & guidelines as may be applicable from time to time.

2. Objective

This policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and its RP based on the applicable laws and regulations as may be amended from time to time.

The objective of this Policy is to ensure that transactions between the Company and its RP (defined hereinafter) are based on principles of transparency and arm's length pricing. Likewise, this Policy aims at preventing and providing guidance in situations of potential conflict of interest in the implementation of transactions involving such related parties. This Policy outlines the basis on which the materiality of related party transactions will be determined and the manner of dealing with the related party transactions by the Company.

3. Definitions

- a) **"Annual Standalone Turnover"** is defined as Total income as per of the last audited standalone financial statements of the Company.
- b) **"Audit Committee"** means Committee of the Board of Directors of the Company constituted under provisions of the Companies Act 2013.
- c) **"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.
- d) **"Board"** means Board of Directors of the Company.
- e) **"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.
- f) **"Key Managerial Personnel"** shall include:
 - (i) the Chief Executive Officer or the Managing Director or the Manager;
 - (ii) the Company Secretary;
 - (iii) the Whole-Time Director;
 - (iv) the Chief Financial Officer;

(v) such other officer, not more than one level below the directors who is in whole-time employment, designated as Key Managerial Personnel by the Board; and

(vi) such other officer as may be prescribed.

g) RPT(s) requiring Shareholders approval:

As provided in Section 188 of the Companies Act, 2013, any transaction entered into with a RP as defined under Section 2(76) of the Companies Act, 2013, that is not in the ordinary course of Business or not on an arm's length basis and exceeds the below threshold as specified in Rule 15 of the Companies (Meetings of the Board and its Powers) Rules, 2015 shall require shareholders approval.

- (i) Sale, purchase or supply of any goods or materials, directly or through appointment of agent Amounting to 10% or More of the turnover;
 - (ii) Selling or otherwise disposing of, or buying, property of any kind, directly or through appointment of agent – Amounting to 10% or more of the new worth;
 - (iii) Leasing of property of any kind – Amounting to 10% or more of the turnover;
 - (iv) Availing or rendering of any services, directly or through appointment of agent – Amounting to 10% or more of the turnover;
 - (v) such RP's appointment to any office or place of profit in the company, or associate company – Monthly remuneration exceeding Rupees Two and Half Rupees and
 - (vi) underwriting the subscription of any securities or derivatives thereof, of the company – Remuneration exceeding 1% of net worth.
- h) **“Net Worth”** means the aggregate value of the paid-up share capital and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write- back of depreciation and amalgamation;
- i) **“Ordinary course of business”** for the purpose of this Policy may include transactions undertaken by the Company:
- (i) In the normal course of business of Business Correspondent as permitted by the Memorandum of Associations of the Company effective for the time being in force.
 - (ii) As part of customary business practice, policies, products or by its long-standing conduct.
- j) **“Parent Company”** means IDFC First Bank Limited.
- k) **“Policy”** means Related Party Transaction Policy.

- l) **“Relative” and “Related Party”** are being defined at a later point.
- m) **“Related Party Transaction”** shall mean all transactions as per applicable provisions of the Companies Act, 2013, as amended from time to time and relevant rules made thereunder. As per Indian Accounting Standard-24, related party transaction is a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged or not.

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

- n) **“Significant Influence”**

In terms of the Companies Act, 2013, 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. In terms of the Ind AS 24, significant influence means the power to participate in the financial and operating policy decisions of an enterprise, but does not mean control or joint control of those policies.

- o) **“Turnover”** means the aggregate value of realisation of amount made from the sale, supply, or distribution of goods or on account of services rendered, or both, by a company during a financial year. Accordingly, for the Company, the ‘turnover’ is considered as the ‘Total Income’

4. Disclosure of Related Party

a) Relative

As per Section 2(77) of the **Companies Act, 2013** relative with reference to any person, means anyone who is related to another, if

- 1) they are members of a Hindu Undivided Family
- 2) they are husband and wife; or
- 3) one person is related to the other in the following manner;
 - i. Father (including step-father)
 - ii. Mother (including the step-mother)
 - iii. Son (including the step-son)
 - iv. Son’s wife
 - v. Daughter
 - vi. Daughter’s husband
 - vii. Brother (including step-brother)
 - viii. Sister (including step-sister)

Ind AS 24 -defines the term ‘close members of the family of a person’ as those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity including:

- 1) that person's children, spouse or domestic partner, brother, sister, father and mother;
- 2) children of that person's spouse or domestic partner; and
- 3) dependants of that person or that person's spouse or domestic partner.

b) Related party, with reference to Company means:

1) Under Companies Act:

- i. a Director or his relative;
- ii. a Key Managerial Personnel 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 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 on whose advice, directions or instructions a director or manager is accustomed to act;
- viii. Provided that nothing in sub-clauses 4.b.1.vi and vii shall apply to the advice, directions or instructions given in a professional capacity;
- ix. any Body Corporate which is:
 1. a holding, subsidiary or an associate company of such company;
 2. a subsidiary of a holding company to which it is also a subsidiary; or
 3. 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.

- x. a director, other than Independent Director, or Key Managerial Personnel of the Holding Company or his relative with reference to a Company.

c) Under Indian Accounting Standard-24:

- 1) A related party is a person or entity that is related to the Company i.e.

- i. A person or a close member of that person's family is related to the Company if that person:
 1. has control or joint control of the Company;
 2. has significant influence over the Company; or
 3. is a member of the Key Management Personnel under Ind-AS 24 of the Company or of a parent of the Company.
- ii. An entity is related to the Company if any of the following conditions applies:
 1. The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 2. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 3. Both entities are joint ventures of the same third party.
 4. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 5. The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- iii. The entity is controlled or jointly controlled by a person identified in 4.c.1.i.
- iv. A person identified in (4.c.1.i) has significant influence over the entity or is a member of the Key Management Personnel under Ind-AS 24 of the entity (or of a parent of the entity).
 1. The entity, or any member of a group of which it is a part, provides Key Management Personnel services to the Company or to the parent of the Company.

d) Manner of identifying RP and maintaining RP list

- 1) Each Director and Key Managerial Personnel of the Company is responsible for providing declaration, to the Company Secretary on their RP involving him / her and his / her Relative, including any additional information that the Company Secretary may reasonably request. Such information shall be provided at the time of appointment and at the time of the first board meeting in every financial year and as and when there is any change in the last provided information / declaration, promptly.
- 2) The Company Secretary shall maintain a database of Related Parties, containing the names of individuals and companies identified based on the definition of Related Party and declarations provided by the Directors and Key Managerial Personnel of the Company.

- 3) The list of Related Parties as maintained by the Secretarial Department shall be updated whenever necessary and reviewed on a quarterly basis and would be communicated to the functional departments of the Company to identify the Related Party Transactions.

5. Identification of Potential Related Party Transactions

- 1) Each Director and Key Managerial Personnel 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 Audit Committee/ Board may reasonably request. Audit Committee/ Board will determine whether the transaction does, in fact, constitute a RPT requiring compliance with this policy.
- 2) The functional departments shall submit to the Head – Finance and the Company Secretary, the details of proposed transaction with draft agreement or other supporting documents justifying that the transactions are on arm's length basis at prevailing market rate. Based on such information, the Company Secretary will facilitate for the necessary approval from the Audit Committee/ Board of the Company.

6. Review and Approval of Related Party Transactions

- 1) All the transactions which are identified as RPT shall be subject to review and must be referred to the Audit Committee for prior approval in accordance with this Policy except transactions for which omnibus approval has been obtained from Audit Committee. The Audit Committee shall consider all relevant factors while deliberating the RPT for its approval.
- 2) Any member of the Audit Committee/ Board 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.
- 3) In determining whether to approve, ratify or reject a RPT, the Audit Committee, shall take into account all the factors it deems appropriate.
- 4) The Audit Committee shall review all the transactions with related parties on a quarterly/ annual basis as applicable as per the provisions of applicable laws.
- 5) All RPT provided under Section 188 (1) (a) to (g) of the Companies Act, 2013 and that are not entered into in the ordinary course of business or on arm's length basis will require prior approval of the Board.
- 6) Additionally, transactions that are recommended by the Audit Committee shall require approval of the Board.
- 7) All Related Party Transactions which exceed the limits specified in '**Annexure A**' shall require prior approval of shareholders.
- 8) In case any shareholder is a related party, such shareholder shall not vote on the resolution requiring approval under Section 189(1), to approve any contract or arrangement which may be entered into by the Company.

9) The requirement of shareholders' approval shall not be applicable for transactions entered into by the Company with its parent company.

10) The approval matrix framework is provided as 'Annexure A'

7. General Criteria for approval of RPT

To review RPT, the Audit Committee, Board and Shareholders to be provided with all relevant material information of the RPT, including but not limited to

- a) the name of RP, nature of relationship,
- b) name of the director or key managerial personnel who is related, if any,
- c) nature, duration and particulars of the contract or arrangement,
- d) any advance paid or received for the contract or arrangement, if any,
- e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract
- f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors,
- g) the terms of the transactions,
- h) the business purpose of the transaction,
- i) the benefits to the Company and to the RP, and
- j) any other relevant matters in terms of Companies Act, 2013 including rules made thereunder and other applicable laws, to the extent applicable.

8. Decision regarding Transaction in the ordinary course of business and at Arm's length.

In respect of RPT, the Audit Committee shall after considering the documents and materials placed before them for approval, judge if the transactions in in the ordinary course of business and meets the arm's length requirements.

9. Omnibus approval by Audit Committee for Related Party Transactions

- a) All RPTs shall require the approval of the Audit Committee, unless specifically exempted under applicable laws.
- b) The Audit Committee may grant omnibus approval in accordance with the provisions of Rule 6A of the Companies (Meeting of Board and its Powers) Rules, 2014 and which are repetitive/regular nature proposed to be entered into.
- c) the Audit Committee may, in the interest of the Company, grant omnibus approval for RPTs that are repetitive in nature, subject to the following conditions to be contained in the omnibus approval:
 - i. specify the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, wherever possible;
 - ii. specify the indicative base price / current contracted price and the formula for variation in the price, if any; and

- iii. such other conditions as the Audit Committee may deem fit.
- d) The Audit Committee may also, in the interest of the Company, grant omnibus approval for RPTs that cannot be foreseen and for which the aforesaid details are not available subject to their value not exceeding Rs. 1 crore per transaction or such other amount as may be prescribed in the applicable provisions, in this regard, from time to time.
- e) Audit Committee shall not grant omnibus approval for transactions in respect of selling or disposing of the undertaking of the Company.
- f) The Audit Committee shall review, on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approvals given. Such omnibus approval shall be valid for a period not exceeding one financial year and a fresh approvals will be required after the expiry of one financial year.

10. Related Party Transactions not approved under this Policy

- a) In the event the Company becomes aware of a RPT with a RP that has not been approved under this Policy prior to its consummation/ execution, the Company would obtain post facto approval from the Audit Committee, the Board and/or shareholders of the Company as required under the applicable law. In case the Company is not able to take such prior approval from the Audit Committee, the Board and/or shareholders of the Company, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as post facto approval is obtained as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.
- b) 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. 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. In connection with any review of a RPT, the Audit Committee has authority to modify or waive any procedural requirements of this Policy, in compliance with applicable laws.
- c) Where any transaction involving any amount not exceeding one crore rupee 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 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 and the Parent Company against any loss incurred in this regard.
- d) Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Audit Committee, Board or approval by a resolution in the general meeting and if it is not ratified by the Audit

Committee, Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Audit Committee, Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any Director/KMP, or is authorised by any other Director/KMP, the Directors/ KMP concerned shall indemnify the Company against any loss incurred by it.

11. Reporting of related party transactions

- a) The Company shall disclose each year, in its financial statements, the transactions between the Company and its Related Parties, in such manner and form as may be prescribed under the applicable laws and the accounting standards.
- b) Every contract or arrangement, approved by the Board / Shareholders under this Policy shall be referred to in the Board's Report to the shareholders along with the justification for entering into such contract or arrangement.
- c) The Company will disclose as per the Ind AS 24 "Related Party Disclosures" on the transactions with related parties in the annual accounts.

12. Obligation towards the Parent Company in compliance with the SEBI Regulations

- a) Would provide the list of related parties as defined in the SEBI (Listing Obligations and Disclosure Requirements) 2015, as amended from time-to-time and effective for the time being in force, to the Parent Company.
- b) Would intimate the Parent Company 'as and when' there is a change in the list of related party and similarly procure list of related party from the Parent Company.
- c) Would provide the details of transactions with its own related parties or related parties of the Parent Company in order to enable the Parent Company to make necessary disclosures to the stock exchanges. The said details of RPT furnished to the Parent Company will also be placed before the Audit Committee of the Company for its information and record.
- d) Would present to the Parent Company, the particulars pertaining to the proposed transactions or subsequent material modification to the approved transactions, between the Company and RP of the Company or the Parent Company, to which the Parent Company is not a party, for obtaining necessary prior approval of the audit committee of the Parent Company in compliance with the provisions of Regulation 23(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 if it exceeds the prescribed threshold.
- e) Would present to the Parent Company, the particulars pertaining to the proposed transactions or subsequent material modification to the approved transactions, between the Company and RP of the Company or the Parent Company, to which the Parent Company is not a party, for obtaining necessary prior approval of the shareholders of the Parent Company in compliance with the provisions of Regulation 23(4) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 if it exceeds the prescribed threshold.

13. Policy Review

- a) This Policy is framed based on the provisions of the Companies Act, 2013 and rules thereunder, Ind As 24 and other applicable laws. In case of any subsequent changes in the provisions of the Companies Act, 2013, and rules thereunder, Ind As 24 or other applicable law, the relevant amended provisions would prevail over the Policy and the provisions in the policy would be modified in due course to make it consistent with law.
- b) This Policy shall be reviewed by the Audit Committee/ Board as and when any changes are to be incorporated in the Policy due to change in applicable laws or on an annual basis.
- c) This policy will be communicated to all employees and other concerned persons of the Company and shall be placed in the website of the Company.

Annexure A
Approval Matrix Framework

Transactions with Related Parties of the Company or Parent Company					
Ceiling on the Amount	Approval Required				
	Audit Committee of the Company	Board of Directors of the Company	Audit Committee of the Parent Company	Board of Directors of the Parent Company	Shareholders of the Parent Company
With effect from April 1, 2023: upto 10% of the annual standalone turnover, as per the last audited financial statements of the Company	Yes	-	-	-	-
In excess of above limits and the parent company is not a party to such RPT	Yes	-	Yes	-	-
In excess of 1000 crore or 10% of annual consolidated turnover of the holding company, w.e.l. and parent company is not a party to such RPT	Yes	-	Yes	Yes	-
Transactions either not in the ordinary course of business or arm's length basis					
Provisions	Approval Required				
	Audit Committee of the Company	Board of Directors	Shareholders of the Company (for the transactions other than as exempted by law)		
Sale, purchase or supply of any goods or materials, directly or through appointment of agent.	Yes	Yes	Yes (Amounting to 10% or more of the turnover)		
Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent.	Yes	Yes	Yes (Amounting to 10% or more of the net worth)		
Leasing of property of any kind.	Yes	Yes	Yes (Amounting to 10% or more of the turnover)		
Availing or rendering of any services, directly or through appointment of agent.	Yes	Yes	Yes (Amounting to 10% or more of the turnover)		

Appointment of any related party to any office or place of profit in the Corporation, its subsidiary company or associate company.	Yes	Yes	Yes (Monthly remuneration exceeding two and half lakh rupees)
Underwriting the subscription of any securities or derivatives thereof, of the Corporation.	Yes	Yes	Yes (Remuneration exceeding 1% of net worth)
Any other transactions with the RP other than those covered above resulting in transfer of resources, obligation or services	Yes	For transactions that are not in the ordinary course of business and / or at arm's length basis or recommender by Audit Committee	For transactions recommended by the Board