



Document Version controller

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POLICY ON RELATED PARTY TRANSACTIONS
IIFL Finance Limited and Subsidiaries

I. Objective and applicability:

To ensure that all transactions with the related parties are properly identified, reviewed and approved pursuant to the Applicable Laws (as defined below). The Policy on Related Party Transactions (hereinafter referred to as “**Policy**”) shall apply to transaction between the Company (including its subsidiaries) with one or more 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.

II. Guiding Act/Regulations/Rules:

- a. The Companies Act, 2013 and rules made there under read with the circulars and notifications issued thereunder (with amendments or enactments thereof) from time to time (hereinafter referred to as “**Act**”);
- b. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with the circulars and notifications issued thereunder (with amendments or enactments thereof) from time to time (hereinafter referred to as “**Listing Regulations**”); and
- c. Accounting Standard – as maybe applicable.
- d. The applicable provisions of the Act and Listing Regulations are hereinafter collectively referred to as the “**Related Party Transactions (RPT) Provisions**” and the applicable provisions of the RPT Provisions, accounting standards and all other laws, rules, regulations, circulars, notifications etc. are hereinafter collectively referred to as the “**Applicable Laws**”.

III. Definitions:

- (i) “**Audit Committee**” or “**Committee**” means Committee of the Board of Directors of the Entity constituted under the provisions of the Listing Regulations and / or the Act.
- (ii) “**Board**” means the Board of Directors of the Entity.
- (iii) “**Entity**” means IIFL Finance Limited and/or its subsidiary(ies).
- (iv) “**Listed Entity**” shall have the same meaning as defined under Listing Regulations, as amended, from time to time and shall include high value debt listed entity as defined under Listing Regulations.
- (v) “**Material Modification(s)**” in relation to a related party transaction shall mean any modification to an existing related party transaction having variance of amount exceeding 30% of the value of the transaction as previously approved by the Audit Committee.
- (vi) “**Material Related Party Transaction(s)**” means a Related Party Transaction as defined in this policy, which shall be considered material under Listing Regulations as may be amended from time to time.
- (vii) “**Related Party**” means a related party as defined under Section 2(76) of the Act or rules made thereunder and under Regulation 2(1)(zb) of the Listing Regulations, as amended from time to time and applicable Accounting Standards.
- (viii) “**Related Party Transaction**” shall mean such Transactions as specified under Section 188 of the Act and rules made thereunder and under Regulation 2(1) (zc) of the Listing Regulations, as amended from time to time.
- (ix) “**Relative**” means a relative as defined under the Act and under Regulation 2(1)(zd) of the Listing Regulations, as amended from time to time.

- (x) **“Senior Management”** shall mean the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the persons identified and designated as Key Managerial Personnel, other than the Board of Directors, by the listed entity.”
- (xi) **“Subsidiary”** or **“Subsidiaries”** means subsidiary(ies) of the entity as defined under Section 2(87) of the Act, as amended from time to time.

All terms used in this Policy but not defined herein shall have the meaning as defined in the Act Listing Regulations, the Securities and Exchange Board of India Act, 1992 and the Securities Contracts (Regulations) Act, 1956 or any other applicable law or regulation, unless the context otherwise require.. In case of any conflict between the applicable meanings assigned to such term under the Act and Listing Regulations, the term shall be interpreted in such manner that ensures compliance with both the Act and Listing Regulations.

IV. Identification of Related Party Transaction

Every Director shall at the beginning of the financial year provide information by way of written notice to the Company regarding his/her concern or interest in the entity with specific concern to parties which may be considered as related party with respect to the Company and shall also provide the list of relatives which are registered as related party as per this Policy. Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this Policy.

V. Compliances/Approvals/Processes with respect to Related Party Transactions

In compliance with Section 177, 188 and other the applicable provisions of the Act and Regulation 23 and other applicable provisions of Listing Regulations, the following process is put in place:

A. Approval of the Audit Committee:

- a. All Related Party Transactions of the Company or any subsequent Modifications shall require prior approval of the Audit Committee of the Company.
- b. All Related Party Transactions and subsequent Material Modification(s) to which the subsidiary of the Listed Entity is a party but the Listed Entity is not a party, fulfilling the criteria specified under Listing Regulations, unless such transaction is exempted under the Regulations, shall be placed before the Audit Committee of the Listed Entity in accordance with the Regulations, for prior approval.
- c. The Audit Committee may grant omnibus approval for Related Party Transactions. The proposal seeking omnibus approval of the Audit Committee, with details and disclosures about the proposed Related Party Transactions specified under the RPT Provisions, may be placed before the Audit Committee and the Audit Committee may grant its approval as per the RPT Provisions with such other conditions as it may consider necessary in line with the Policy and in the interest of the Entity. Such omnibus approval, unless specified otherwise, shall be valid for the maximum period permissible under the RPT Provisions.
- d. The Audit Committee shall review, the details of Related Party Transactions entered into by the Entity pursuant to each of the omnibus approval given, at such frequency as it may deem fit and subject to the minimum interval as specified under the RPT Provisions.

B. *Approval of RPTs by the Audit Committee through Resolution by Circulation:*

In an unforeseen event where an RPT needs to be entered due to business exigencies between two Audit Committee Meetings, the Audit Committee may approve such RPT by passing a Resolution by Circulation, after satisfying itself that such transaction is in the interest of the Company.

C. *Ratification by Audit Committee*

The members of the Audit Committee, who are independent directors, may ratify Related Party Transactions within 3 months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- a. The value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed Rs. 1 crore;
- b. The transaction is not material in terms of the provisions of Regulation 23(1) of the Listing Regulations;
- c. Rationale for inability to seek prior approval for the transaction is placed before the Audit Committee at the time of seeking ratification;
- d. Details of ratification is disclosed along with the disclosures of Related Party Transactions in terms of the provisions of Regulation 23(9) of the Listing Regulations;
- e. Any other condition as may be specified by the Audit Committee.

Provided that failure to seek ratification of the Audit Committee shall render the transaction voidable at the option of the Audit Committee and if the transaction is with a related party to any Director, or is authorised by any other Director, the director(s) concerned shall indemnify the Company against any loss incurred by it.

D. *Exemption from Applicability of the Policy*

This Policy shall not apply to the following related party transactions and such transaction shall not require the approval of Audit Committee, Board or shareholders:

- a. Where the transaction entered into between the Company and its wholly owned subsidiary(ies) or between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- b. Remuneration and sitting fees paid by the Company or its subsidiary to its Director, key managerial personnel or senior management, except who is part of promoter or promoter group, provided that the same is not material in terms of Regulation 23(1) of the Listing Regulations;
- c. Transactions involving corporate restructuring, such as capital reduction, merger, demerger, hive-off etc. which are approved by the Board and carried out in accordance with the specific provisions of the Companies Act, 2013 or the Listing Regulations, 2015;
- d. Any transaction in nature of subscription to (where such offer is made to all security holders / public) / the secondary market by a Related Party in the nature of buying/ selling or otherwise, dealing in securities issued by the Company and payment of interest/ redemption amount thereof;
- e. Contribution towards Corporate Social Responsibility (CSR) within the overall limits approved by the Board that require approval of the CSR and ESG Committee;

- f. Any transaction by the Company with its employee, who is a related party in the ordinary course pursuant to the employment terms;
- g. Employer's contribution to Provident Fund/Gratuity/Superannuation etc. to a recognized Trust as part of its statutory obligations;
- h. Reimbursement of expenses at actuals based on supporting documents;
- i. Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between the Company on one hand and the Central Government or any State Government or any combination thereof on the other hand.

E. Approval of the Board of Directors:

Related Party Transactions as specified under section 188 or any other RPT Provisions, or any subsequent Modification thereto, shall be placed before the Board for its approval, unless such transaction is exempted under the RPT Provisions. The proposal seeking approval of the Board, with details and disclosures about the proposed Related Party Transactions specified under RPT Provisions, may be placed before the Board and the Board may grant its approval as per the RPT Provisions and with such other conditions as it may consider necessary in line with the Policy and in the interest of the Entity.

F. Approval of the shareholders:

- a. In case of all Entities, any Related Party Transaction exceeding the thresholds prescribed under the Act, unless exempted, shall be placed before the shareholders of the respective Entity for their prior approval through resolution as per the Act.
- b. All Material Related Party Transactions and any subsequent material modification as defined above to which the listed entity is a party shall require prior approval of the shareholders through ordinary resolution. However, prior approval of shareholders of the Company shall not be required for such cases specifically exempted under Listing Regulations and as amended from time to time.
- c. Further, all Material Related Party Transaction(s) and subsequent Material Modification(s), to which the subsidiary of the Company is a party but the Company is not a party, unless such transaction is specifically exempted under the Regulations, shall require prior approval of the shareholders of the Company. However, prior approval of shareholders of the Company shall not be required for such cases as may be prescribed under the Regulations as amended from time to time.

G. Subsequent Material Modification(s):

- a. A subsequent Modification in the price, fees, rent, commission or consideration by whatever name called (hereinafter referred to as "Price"), shall be considered a 'material' Modification if it exceeds by 10% (ten percent) of the Price approved by the Audit Committee / Board / Shareholders, as the case may be in respect of a Related Party Transaction in the nature of:
 - 1. sale, purchase or supply of any goods or materials;
 - 2. selling or otherwise disposing of, or buying, property of any kind;
 - 3. leasing of property of any kind;
 - 4. availing or rendering of any services;
 - 5. appointment of any agent for purchase or sale of goods, materials, services or property;

6. *such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and*
7. *underwriting the subscription of any securities or derivatives thereof, of the company.*
- b. A subsequent Modification in the principal amount or interest rate, shall be considered a 'material' Modification if it exceeds by 10% (ten percent) of the principal or interest rate approved by the Audit Committee / Board / Shareholders, as the case may be, in respect of a Related Party Transaction in the nature of giving or availing of loans.
- c. A subsequent Modification in the guarantee amount or guarantee commission, shall be considered a 'material' Modification if it exceeds by 10% (ten percent) of the guarantee amount or guarantee commission approved by the Audit Committee / Board / Shareholders, as the case may be, in respect of a Related Party Transaction in the nature of giving or availing of corporate guarantees.
- d. A subsequent Modification in the investment amount (whether by way of subscription, purchase, exchange or otherwise) or disinvestment amount (whether by way of redemption, sale, exchange, buy-back or otherwise) shall be considered a 'material' Modification if it exceeds by 10% (ten percent) of the investment or disinvestment amount approved by the Audit Committee / Board / Shareholders, as the case may be, in respect of a Related Party Transaction in the nature of investment or disinvestment in shares, debentures, units or any other kinds of securities.
- e. A subsequent Modification in any other type of Related Party Transaction shall be considered a 'material' as per the criteria approved by the Audit Committee / Board / Shareholders, as the case may be, while approving such Related Party Transaction.

H. Voting on the Resolution for Approval of RPT

- a. No Director will participate in any Audit Committee Meeting / Board Meeting discussion for approval of RPT in which he / she is interested.
- b. Only those members of the Audit Committee, who are Independent Directors, shall approve related party transactions
- c. No interested / concerned related party with whom transaction is to be entered will vote on the resolution for approval of RPT in the general meeting and all related parties (irrespective of whether the entity is a party to the particular transaction or not) will not vote in a resolution for approval of Material RPT.

I. Disclosure:

Appropriate disclosures as required under the Act and SEBI LODR will be made in the Financial Statement, Board's Report, to the Stock Exchange(s), on the website of the Company and such other places as may be specified under any law.

V. CRITERIA/DOCUMENTS/PROCESS FOR ALL TRANSACTIONS WITH RELATED PARTIES:

- a. All the related party transactions shall be subject to the applicability, limits, enablement and other conditions as prescribed under the Applicable Laws.
- b. Related Party Transaction shall be approved after assessing all material terms and conditions of the transaction, such that the terms are comparable with the market rates/practices at the particular point of time and on arm's-length basis.
- c. For all the transactions, due documentation by way of contract/agreement/ bills/invoices/ should be in place.
- d. In case of infrastructure and common sharing arrangement, the terms of arrangement including the nature and quality of services, consideration and other terms and conditions shall be as comparable with the terms if availed from the market/third parties.

- e. In case of purchase/sale of fixed assets or other assets, the same shall be at market prices or as per the valuer certificate.
- f. Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a special resolution in the general meeting, should be ratified by the 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. If the said ratification is not done such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders. In case the Company is not able to take such prior approval from the Audit Committee, the Board and/or shareholders, 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, to the extent permissible under the RPT Provisions.

VI. AMENDMENTS TO THE POLICY

The Board shall review and amend this Policy as and when required and as per RPT Provisions.

If at any point a conflict of interpretation / information between the Policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities ("Regulatory Provisions") arises, then interpretation of the Regulatory Provisions shall prevail.

In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the Policy shall stand amended accordingly from the effective date specified as per the Regulatory Provision

