



POLICY ON RELATED PARTY TRANSACTIONS

OF

PNB HOUSING FINANCE LIMITED

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POLICY ON RELATED PARTY TRANSACTIONS

I. INTRODUCTION

PNB Housing Finance Limited (**'the Company'**) is a public limited company incorporated on November 1, 1988 under the Companies Act, 1956 (Corporate Identity Number L65922DL1988PLC033856). The Company is registered as a Housing Finance Company with the National Housing Bank (NHB) under the NHB Act, 1987.

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**"SEBI Listing Regulations"**) and Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 requires a Company to adopt a policy on materiality of Related Party Transactions and on dealing with Related Party Transactions.

In view of the above, the Board of Directors (**"Board"**) of the Company has adopted the Policy on Related Party Transactions (**"Policy"**).

II. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out:

- i. Materiality of Related Party Transactions;
- ii. Manner of dealing with the transactions between the Company and its Related Parties and other Related Party Transactions, as may be required, in accordance with the Companies Act, 2013, Regulation 23 of the SEBI Listing Regulations and any other statute, law, standards, regulations relating to Related Party Transactions; and
- iii. Laying down the guiding principles and mechanism to ensure proper approval, disclosure and reporting of transactions as applicable in the best interest of the Company.

III. DEFINITIONS

- i. **'Act'** means the Companies Act, 2013, as amended from time to time.
- ii. **'Arm's Length Transaction'** means a transaction between the Company and its Related Party(ies) that is conducted as if they are unrelated, so that there is no conflict of interest.
- iii. **'Audit Committee'** means Audit Committee of Board of Directors of the Company constituted under provisions of the Act and SEBI Listing Regulations.
- iv. **'Board of Directors'** or **'Board'** means Board of Directors of the Company as constituted from time to time.
- v. **'Company'** means PNB Housing Finance Limited.
- vi. **'Compliance Officer'** may be a Company Secretary of the Company or any other person as may be authorized by the Board for this purpose.
- vii. **'Material modification'** shall mean any modification made in the terms and conditions of any ongoing or proposed Related Party Transaction, as originally approved which, individually or taken together with previous modifications during a financial year, results in variation in the value of the Related Party Transaction, as tabulated in the Annexure (except for the specified transactions covered as per the Act) or has significant impact on the nature, tenure, exposure, as may be determined by the Audit Committee from time to time (Refer Annexure I).

Provided that a modification shall be material, if by such modification, the terms of the contract cease to be at arms' length.

Provided further that the following shall not be considered as material modification -

- a) modifications which may be mandated pursuant to change in law;

- b) modifications pursuant to and in accordance with the terms of the approved transaction/contract apart from the above defined material modification;
- c) modifications resulting from change in constitution of either of the parties pursuant to schemes of arrangement (e.g. merger, amalgamation, demerger, etc.) approved by appropriate authority;
- d) modifications which are purely technical and do not result in substantive change or alteration of rights, interests, and obligations of any of the parties;
- e) modifications uniformly affected for similar transactions with unrelated parties;

viii. 'Material Related Party Transaction'

A. UNDER THE SEBI LISTING REGULATIONS:

- a. Means transaction with a Related Party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1000 crores or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is less.
- b. A transaction involving payments made to a Related Party with respect to brand usage or royalty shall also be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

B. UNDER THE ACT:

Means transactions as defined under Section 188(1) of the Act with Related Parties as defined under Section 2(76) of the Act where the aggregate value of the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds the limits as prescribed under the Act from time to time. Rule 15 of Companies (Meeting of Board and its Power) Rules, 2014 prescribes the specified transactions and threshold limits as tabulated below:

Prescribed transaction categories	Threshold Limits
Sale, purchase or supply of any goods or material (directly or through an agent)	Amounting to 10 per cent or more of turnover of the Company
Selling or otherwise disposing of, or buying, property of any kind (directly or through an agent)	Amounting to 10 per cent or more of net worth of the Company
Leasing of property of any kind	Amounting 10 per cent or more of turnover of the Company
Availing or rendering of any services (directly or through an agent)	Amounting to 10 per cent or more of turnover of the Company
Appointment to any office or place of profit in the company, subsidiary company or associate company	Remuneration exceeding Rs. 2.5 lacs per month of the Company
Underwriting the subscription of any securities or derivatives of the company	Remuneration exceeding one per cent of net worth of the Company

- ix. **'Related Party(ies)'** shall have the same meaning as defined under the Act, SEBI Listing Regulations and Indian Accounting Standards (Ind AS) including all amendments and modifications

thereof from time to time.

Further, as per SEBI Listing regulation:

- a. any person or entity forming a part of the promoter or promoter group of the listed entity;
or
 - b. any person or any entity, holding equity shares of ten per cent or more in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.
- x. **'Related Party Transaction'** means a transaction involving transfer of resources, services or obligations between the Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries whether a price is charged or not.
A transaction with a Related Party shall be construed to include a single transaction or a group of transactions in a contract.
- xi. **'SEBI Listing Regulations'** mean the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any amendments thereof.
- xii. **'Specified Transaction'** means the transaction which has been specified in Section 188 of the Act as amended from time to time.
- xiii. **'Stock Exchange'** means the stock exchange where equity shares of the Company are listed.
- xiv. **'Turnover'** or **'Net Worth'** shall be on the basis of the Audited Financial Statement of the preceding financial year.

Unless the contrary is apparent from context, words and expressions used and not defined in this Policy shall have the same meaning as contained in the Act read with rules made thereunder, the SEBI Listing Regulations or any other cognate statute.

IV. MANNER OF DEALING WITH RELATED PARTY TRANSACTION

IV.1. Identification of Related Parties and Related Party Transactions:

- i. Every Director and/or Key Managerial Personnel of the Company shall disclose to the Compliance Officer in form MBP-1, at the time of his appointment, in beginning of every financial year and wherever there is any changes in the disclosures so made, about all persons, entities, firms, or other organizations in which he/ she is interested along with unique identification number/PAN, whether directly or indirectly.(including details of relatives etc.)
- ii. The Chief Financial Officer shall maintain a complete list of Related Parties, and update the same as and when any change is necessitated. The list shall be disseminated to all business functionaries for their ready reference while undertaking any transaction.
- iii. Besides, the Chief Financial Officer shall also maintain a list of Related Parties of its subsidiaries, which may be sourced from respective subsidiaries on a periodic (quarterly) basis or as and when needed. Adequate systems must be in place to ensure that the RPTs in which the Company is not a party, but the subsidiary is a party, shall be brought to the information of the Company in a timely manner, for necessary approvals, wherever required.
- iv. The Chief Financial Officer will be responsible for providing prior notice to the Compliance Officer of any potential Related Party Transaction. He will also be responsible for providing additional information about the transaction that may be required, for placing before the Audit Committee, the Board or Shareholders, as the case may be.
- v. The suggested details and list of records and supporting documents which are required to be provided to the Audit Committee, Board and Shareholders of the Company for the proposed Related Party Transaction are provided in **Annexure II** to this Policy.
- vi. If required, the Company may refer any potential Related Party Transaction to any external legal consultant/ expert for obtaining his/ her opinion on any legal/ regulatory issues involved in the

potential Related Party Transaction and the outcome or opinion of such exercise shall be brought to the notice of the Audit Committee. The Audit Committee shall have the right to obtain external professional advice in relation to related party transactions.

- vii. The Company being an insurance intermediary and has majority shareholding of foreign investors shall not make payments (other than dividend) to related parties (foreign investors) taken as a whole, beyond 10% of the total expenses of the Company in a financial year.

IV.2. Approval Mechanism for Related Party Transaction

IV.2.1. Approval by the Audit Committee

- i. All Related Party Transactions and Material Modification(s) thereto shall require prior approval of the Audit Committee irrespective of whether such transactions are in the ordinary course of business and/or at arm's length or not.
- ii. Prior approval of the Audit Committee of the listed entity shall also be required in case of a related party transaction to which the subsidiary of the Company is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary;
- iii. However, such prior approval shall not be required for (i) a related party transaction wherein Regulation 23 is applicable to such subsidiary, since in that case prior approval of the audit committee of the subsidiary will be obtained; and (ii) such other transactions which may be exempted under the Listing Regulations, from time to time.
- iv. Approval of the Audit Committee shall not be required for any transaction which has been entered into by the Company with its wholly owned subsidiary or transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the General Meeting for Shareholder's approval. However, approval shall be required in case of Specified Transaction between the Company and its wholly owned subsidiary company.
- v. Transactions for which prior approval has been accorded by the Audit Committee, should be placed for review by the Audit Committee at such intervals, as may be decided by the Audit Committee, but least on an annual basis.
- vi. Only those members of the Audit Committee who are independent directors, shall approve Related Party Transactions. Any member of the Audit Committee who has a potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

Omnibus approval of Related Party Transactions:

- i. In the case of repetitive transactions which are in the normal course of business of the Company, the Audit Committee may grant omnibus approval keeping in mind repetitiveness and justification for the need for the omnibus approval.
- ii. While granting omnibus approval, the Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and such approval shall be in the interest of the Company.

Criteria for making the omnibus approval:

- i. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall *inter alia* 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 Audit Committee at the time of seeking omnibus approval;
 - d. review, at such intervals as the Audit Committee 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 Audit Committee.
- ii. The omnibus approval granted by the Audit Committee shall indicate the following:-
 - a. name of the Related Party(ies);
 - b. nature and duration of the transaction;
 - c. maximum amount of transaction that can be entered into;
 - d. the indicative base price or current contracted price and the formula for variation in the price, if any; and
 - e. any other information relevant or important for the Audit Committee to take a decision on the proposed transaction
- iii. Where need of the Related Party Transaction cannot be foreseen and above details are not available, the Audit Committee may grant omnibus approval subject to the value per transaction shall not exceed by Rs.1,00,00,000/- (Rupees One Crore Only).
- iv. The Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approvals given.
- v. The omnibus approval provided by the Audit Committee shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- vi. Such omnibus approval shall not be made by the Audit Committee for the transactions in respect of selling or disposing of the undertaking of the Company.

IV.2.2. Approval by the Board

- i. Related Party Transaction shall require Board approval in the following cases:
 - a. If the Related Party Transaction is not in the ordinary course of business or not at Arm's Length Basis; or
 - b. the Audit Committee determines that a Related Party Transaction should be brought before the Board; or
 - c. the Board in any case elects to review any Related Party Transaction suo moto; or
 - d. the Related Party Transaction needs to be approved by the Board under any law for the time being in force.
- ii. Approval of the Board of Directors shall not be required for the transaction entered into by the Company with its wholly owned subsidiary or with any other party, if such transaction is in the ordinary course of business and on an arm's length basis.
- iii. The considerations set forth above in case of Audit Committee shall also apply to the Board's review and approval of the proposed Related Party Transaction with such modification as may be necessary or appropriate under the circumstances.
- iv. Any member of the Board who has a potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

IV.2.3. Approval by the Members

Unless exempted under the Act/SEBI Listing Regulations, as the case may be, all Material Related Party Transactions and subsequent Material Modifications shall require prior approval of the shareholders by way of an ordinary resolution. No Related Party(ies) shall vote to approve such resolutions whether the person/entity is a related party to the particular transaction or not.

Approval of the members shall not be required for any transaction which has been entered into by the Company with its wholly owned subsidiary or transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the General Meeting for approval.

Type of RPT	Approving body		
	Audit Committee	Board	Shareholders
Material RPTs	■	—————	■
Material modifications in RPTs, where RPT is material	■	—————	■
Material modification in RPTs, where RPT is not material	■	—————	
Not in ordinary course / arm's length & not material	■	■	—————
Not in ordinary course / arm's length & material	■	■	■

IV.3. Consideration by the Audit Committee/ Board in approving the proposed transactions

The Audit Committee/ Board shall take into account all relevant facts and circumstances including the terms of the transaction, purpose of the transaction, benefits to the Company and benefit to the Related Party and any other relevant matters.

The Audit Committee/ Board shall, *inter-alia*, consider the following factors to the extent relevant to the transaction:

- a. Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis;
- b. Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- c. Whether the Related Party Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed transaction; and
- d. Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company.

V. Related Party Transactions not previously approved

In the event of any Director, Key Managerial Personnel or any other employee becoming aware of any Related Party Transaction(s) that the transaction has been omitted to be approved by the Audit Committee/ Board/ Members, as the case may be, or is in deviation of this Policy, such person shall promptly inform to the Chief Financial Officer/Compliance Officer about such transaction and such transaction shall be placed before the Audit Committee, Board or Members, as may be required in accordance with this Policy for review and approval. The Audit Committee, Board or Members, as the case may be, shall consider all relevant facts and circumstances and may decide necessary actions as it may consider appropriate including ratification, revision, or termination of such transaction in accordance with the provisions of the Act/Listing Regulations.

VI. DISCLOSURES AND REPORTING

The Company shall make all disclosures and reporting in accordance with the provisions of applicable laws, including the following -

- i. As required under section 188 of the Act read with the Rules made thereunder, all the Specified Transactions with related party(ies) as defined under the Act, which are not on arm's length basis or are material in nature, shall be disclosed in the Board's Report of the Company.
- ii. The Annual Report shall contain Related Party disclosure in accordance with all applicable laws including accounting standards and RBI Master Directions/ circulars issued or amended from time to time.
- iii. The Compliance Officer shall also make necessary entries in the Register of Contracts or Arrangement required to be maintained under the Act.
- iv. Details of all Material Related Party Transactions with its Related Parties and 'Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount' shall be disclosed in the quarterly compliance report on corporate governance as per the provisions of SEBI Listing Regulations.
- v. The Company shall submit on the date of publication of its standalone and consolidated financial results, disclosures of Related Party Transactions on a consolidated basis, in the format specified in the SEBI Listing Regulations as amended from time to time and publish the same on its website.
- vi. The Company shall disclose the Policy on dealing with Related Party Transactions on its website and also in the Annual Report, in accordance with RBI Master Directions.

VII. NON-APPLICABILITY

Notwithstanding anything contained anywhere else in this Policy, following shall not be a related party transaction as per SEBI (LODR) Regulations:

- i. The issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- ii. The following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - a) payment of dividend;
 - b) subdivision or consolidation of securities;
 - c) issuance of securities by way of rights issue or a bonus issue; and
 - d) buy-back of securities;
- iii. Acceptance of fixed deposits by the Company at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of Related Party Transactions every six months to the stock exchange(s), in the format as specified by the Board.

VIII. POLICY REVIEW AND DISSEMINATION

This Policy shall be reviewed annually by the Board or at earlier intervals as deemed necessary. Consequent upon any change in the SEBI Listing Regulations/Act or any other applicable law/ regulatory guidelines, if any, such change to the extent applicable to the Company, shall be deemed to be a part of this Policy.

The Company shall upload this Policy on its website and a web link of the same will be provided in the Annual Report.

IX. INTERPRETATION

Any ambiguities, interpretative issues, difficulties will be resolved by the Board of Directors of the Company in line with the broad intent of this Policy read with the applicable provisions of the Act, rules made thereunder, and the SEBI Listing Regulations.

In the event of any conflict between the provisions of this Policy and the Act or the SEBI Listing Regulations or any other statutory enactments or rules, the provisions of the SEBI Listing Regulations

/ the Act or statutory enactments, rules made thereunder shall prevail over to this Policy and the part(s) so repugnant shall be deemed to be severed from the Policy and the rest of the Policy shall remain in force.

Annexure I**Material Modification on type of Related Party Transactions**

Type of transaction	Variation in the value of transaction (%)	Variation in the nature	Variation in tenure (%)	Variation in exposure
Loans raised - External commercial borrowings - Non-Convertible debentures - Commercial Paper - Term Loans/ working capital loans/ Overdraft/ cash credit - Fees / charges in relation to above	10	Secured converted to unsecured or vice versa	10	Likely to exceed the thresholds prescribed by the regulator or the underlying policy approved by the Board / Committee governing the policy.
Interest expense on the loan raised	NA	Secured converted to unsecured or vice versa	10	Likely to exceed the thresholds prescribed by the regulator or the underlying policy approved by the Board / Committee governing the policy.
Fixed deposit made	10	Premature withdrawal / Variation in the basis of computation of deposit rates	NA	Likely to exceed the thresholds prescribed by the regulator or the underlying policy approved by the Board / Committee governing the policy.
Fixed deposit accepted	10	Variation in the basis of computation of deposit rates	NA	Likely to exceed the thresholds prescribed by the regulator or the underlying policy approved by the Board / Committee governing the policy.
Interest income / expense on fixed deposit made / accepted	NA	NA	NA	Likely to exceed the thresholds prescribed by the regulator or the underlying policy approved by the Board / Committee governing the policy.
Assignment of loan including the servicing fees earned in relation to the assignment	10	NA	NA	Likely to exceed the thresholds prescribed by the regulator or the underlying policy approved by the Board / Committee governing the policy.
Routine banking transactions in the current account maintained with bank in line with bank mandate (including collection or disbursement of loans and incidental bank charges)	NA	NA	NA	NA

Sale / purchase of government securities	10	NA	NA	Likely to exceed the thresholds prescribed by the regulator or the underlying policy approved by the Board / Committee governing the policy.
Rent, maintenance and other fees/charges	10	NA	NA	Likely to exceed the thresholds prescribed by the regulator or the underlying policy approved by the Board / Committee governing the policy.
Remuneration, sitting fees, commission etc. to Key Managerial / Management Personnel	NA	NA	NA	The underlying policy approved by the Board / Committee governing the policy.
Donation for CSR	NA	NA	NA	The underlying policy approved by the Board / Committee governing the policy.
Royalty for brand / logo	20	NA	NA	Likely to exceed the thresholds prescribed by the regulator or the underlying policy approved by the Board / Committee governing the policy.

Note: for material modification, the variation in value, nature, tenure and exposure is in respect of ongoing or proposed related party transaction, as originally approved (omnibus) which, individually or taken together with previous modifications during a financial year, results in variation.

For example, in relation fixed deposit following variations has been defined:

Type of transaction	Variation in the value of transaction (%)	Variation in the nature	Variation in tenure (%)	Variation in exposure
Fixed deposit made	10	Premature withdrawal / Variation in the basis of computation of deposit rates	NA	Likely to exceed the thresholds prescribed by the regulator or the underlying policy approved by the Board / Committee governing the policy.

Fixed deposit to be made by PNBHFL with PNB was originally approved for Rs. 500 crore.

a) PNBHFL has made a deposit of Rs. 520 crore, in such a case approval of ACB shall be required but same will not be considered as material modification.

b) PNBHFL has made a deposit of Rs. 600 crore, (the variation in value is more than 10% of approved limit as tabulated above) in such a case approval of ACB shall be required and it will be considered as material modification.

As per SEBI guidelines, the audit committee of a listed entity shall define “material modifications” and disclose it as part of the policy on materiality of related party transactions and on dealing with related party.

Practically, approval of ACB shall be required for all related party transactions including modifications. Hence, in both the above cases approval of ACB shall be required.

INFORMATION TO BE PROVIDED IN RELATION TO THE PROPOSED RELATED PARTY TRANSACTION (TO THE EXTENT RELEVANT TO THE TRANSACTION)

- i. Name, PAN of the Related Party and nature of relationship;
- ii. Nature and duration of the contract/transaction and particulars thereof;
- iii. Material terms of the contract or arrangement or transaction including the value, if any;
- iv. In case of existing or approved contracts, transactions, details of proposed variations to the duration, current price/ value and / or material terms of the contract or arrangement including a justification to the proposed variations;
- v. Any advance paid / received or to be paid / received for the contract or arrangement, if any;
- vi. Manner of determining the pricing and other commercial terms, whether or not included as part of contract;
- vii. Copy of the draft MOU, agreement, contract, purchase order or correspondence etc. if any.
- viii. Applicable statutory provisions, if any;
- ix. Valuation reports in case of sale or purchase or leasing/ renting of capital assets or securities; if any.
- x. Justification as to the arm's length nature of the proposed transaction;
- xi. Declaration whether the transaction is in the ordinary course of business;
- xii. Any other information prescribed under applicable regulation or relevant for the Committee / Board to take a decision on the proposed transaction.