



## Capri Global Housing Finance Limited

### RELATED PARTY TRANSACTIONS POLICY

#### Version - 1.5

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1.1	01 - Aug - 2019	Review	Review
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## Capri Global Housing Finance Limited

### POLICY ON RELATED PARTY TRANSACTIONS

#### 1. INTRODUCTION

The Board of Directors (the “Board”) of Capri Global Housing Finance Limited (the “Company” or “CGHFL”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below.

This policy is to regulate transactions between the Company and its Related Parties based on the laws and regulations as applicable to the Company.

#### 2. POLICY OBJECTIVES

The Companies Act, 2013 (the Act) and the rules framed thereunder contain detailed provisions relating to Related Party Transactions. This Policy is framed as per the requirement of Section 188 of the Companies Act, 2013 and the rules framed thereunder and “Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016” issued by the National Housing Bank (NHB) vide Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 09, 2017.

The objective of this policy and procedure is to ensure that transactions between the Company and its related parties are based on principles of transparency and arm’s length pricing as provided under the Section 188 of the Companies Act 2013. Likewise, this policy aims at preventing and providing guidance in situations of potential conflict of interests in the implementation of transactions involving such related parties.

#### 3. DEFINITIONS

‘Applicable Law’ includes (a) the Companies Act, 2013 (the Act) including Companies (Amendment) Act, 2017 and rules made thereunder; (b) Indian Accounting Standards; (c) “Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016” issued by the National Housing Bank (NHB) vide Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 09, 2017 and (d) any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.

“Audit Committee or Committee” means Committee of Board of Directors of the Company constituted under Section 177 of the Companies Act, 2013.

“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 (as provided under the Section 188 of the Companies Act 2013).

“Board” means Board of Directors of the Company.

“Key Managerial Personnel” means key managerial personnel as defined under the Companies Act, 2013 and includes:

- i. Managing Director, or Executive Director or Chief Executive Officer or manager and in their absence, a whole- time director;
- ii. Company Secretary;
- iii. Chief Financial Officer; and

- iv. 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
- v. such other officer as may be prescribed.

“Material Related Party Transaction” mean such Related Party Transaction(s) to be entered into individually or taken together with previous Related Party Transaction(s) during a financial year, which exceeds the threshold limits as specified under Rule 15 (3) of Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time.

“Policy” means this Policy on Related Party Transactions.

“Related Party” means any person who is

- i. a related party under Section 2(76) of the Companies Act, 2013 read with rules issued thereunder;
- ii. a related party under the applicable accounting standards; or
- iii. any other person or entity covered under Applicable Laws.

“Related Party Transaction” shall mean all transactions as defined under Section 188 of the Companies Act, 2013 and any transaction between the Company and any Related Party which includes transfer of resources, services or obligations between the Company and related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.

“Relative” means Relative as defined under the Companies Act, 2013 and means anyone who is related to another, if –

- i. they are members of a Hindu Undivided Family ;
- ii. they are husband and wife ; or
- iii. one person is related to the other in the following manner;
  - a) Father (including step-father);
  - b) Mother (including step-mother);
  - c) Son (including step-son);
  - d) Son’s wife;
  - e) Daughter;
  - f) Daughter’s husband;
  - g) Brother (including step-brother);
  - h) Sister (including step-sister).

#### 4. POLICY

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

##### 4.1 Identification of Related Party and Potential Related Party Transactions

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/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

##### 4.2 Prohibitions related to Related Party Transactions

- a. All Related Party Transactions shall require prior approval of Audit Committee.
- b. All Material Related Party Transactions shall require approval of the shareholders and no related

party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Provided that sub-clauses 4.2(a) and 4.2(b) shall not be applicable to the following Related Party Transactions and shall not require approval of Audit Committee or Shareholders:

- i. transaction that involves paying compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business;
- ii. transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro-rata as the Related Party;
- iii. transactions entered into between the Company and any of its wholly owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for their approval.

#### 4.3 Review and Approval of Related Party Transactions

Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee falling under the definition of Related Party shall not vote to approve the relevant transactions irrespective of whether the entity is a party to the particular transaction or not.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including name of the related party and nature of transaction, period of transaction, the material terms of the transaction including the value, if any, any advance paid or received for the contract or arrangement, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other information relevant or important for the Committee to take a decision on the proposed transaction. . In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- a) Whether the terms of the Related Party Transaction are fair and on arms length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- 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 would affect the independence of an independent director;
- d) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification if allowed would be detrimental to the Company; and
- e) Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, executive officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances. If the related party transaction needs to be approved at a general meeting of the shareholders by way of a resolution pursuant to the applicable laws, the Board shall ensure that the same be put up for approval by the shareholders of the Company.

Approval Policy framework is summarized herein below:

Audit Committee Approval	Board Approval	Shareholder's Approval
All Related Party Transactions	a) Related Party Transactions referred by Audit Committee for approval of the Board; b) Related Party Transactions as required under the statute applicable to the Company.	Approval by resolution for: Related Party Transactions not in Ordinary Course of Business or not on arm's length basis and crosses threshold limit as prescribed under the Companies Act, 2013 applicable to the Company.

#### 5. DECISION REGARDING TRANSACTIONS IN ORDINARY COURSE OF BUSINESS AND AT ARM'S LENGTH

The Audit Committee and the Board shall after considering the material placed before them will judge if the transaction is in the ordinary course of business and meets the arm's length requirements.

#### 6. OMNIBUS APPROVAL BY AUDIT COMMITTEE FOR RELATED PARTY TRANSACTIONS

In case of certain frequent / repetitive / regular / transactions / with Related Parties which are in the ordinary course of business of the Company, the Audit Committee may grant an omnibus approval for such Related Party Transactions proposed to be entered into by the Company. The approval shall be valid for a period of one year, however the same needs to be ratified by the Board at the next Board Meeting.

#### 7. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The 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 Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Board / Shareholders decides not to ratify a Related Party Transaction that has been commenced without its approval, the Committee or Board or shareholders, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction or modification of the transaction to make it acceptable for ratification.. While reviewing any Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

Where any related party transaction is entered into, without obtaining the consent of the Board / shareholders and if it is not 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 related party transaction was entered into, such related party transaction shall be voidable at the option of the Board or, as the case may be, of the shareholders.

#### 8. DISSEMINATION

This Policy and any amendment thereto shall be posted on the website of the Company and shall be disclosed in the Annual Report.

## 9. POLICY REVIEW

This Policy is established based on the provisions of the Companies Act, 2013 and as per requirement of the NHB Notification No. NHB. HFC. CG-DIR.1/MD & CEO/2016 dated 9th February, 2017.

In case of any subsequent changes in the provisions of the Act and the Rules framed thereunder, the Act and its Rules would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law. The Board shall have the right to amend the Policy from time to time, based on recommendations of Audit Committee.

The Policy shall be reviewed every year along with the other policies of the company. However, it shall be reviewed earlier if need arises for the same and/ or under special circumstances, in case of a change in law.