



IDFC FIRST Bank Limited

Policy on Related Party Transactions

Status:

Version	: 1.9
Approval Date	: January 25, 2025

POLICY ON RELATED PARTY TRANSACTIONS

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POLICY ON RELATED PARTY TRANSACTIONS

1. Preamble

The Board of Directors (“**Board**”) of IDFC FIRST Bank Limited (“**Bank**”), acting upon the recommendation of its Audit Committee has adopted the following policy (“**Policy**”) and procedures with regard to Related Party Transactions (defined hereinafter). This Policy will be applicable to the Bank, so as to regulate transactions between the Bank and/or its Subsidiaries and their Related Parties, as required under the provisions of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI Listing Regulations**”), Sections 177 and 188 of the Companies Act, 2013 (“**Companies Act**”), Accounting Standard 18 (AS-18), and other laws, rules, regulations, circulars and 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 Bank and/or its subsidiaries and their Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Bank and its Shareholders and to comply with the statutory provisions in this regard.

The objective of this Policy is to ensure that the Related Party Transactions (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 interests in the implementation of Related Party Transactions, including where the Bank is not a party. 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 Bank.

3. Definitions

“**Annual Consolidated Turnover**” is defined as Total Income (i.e. Interest earned and Other Income) as per the last audited Consolidated Financial Statements of the Bank.

“**Annual Standalone Turnover of Subsidiary**” is defined as Total Income (i.e. Revenue from Operations and Other Income) of the Standalone Financial Statements of the Subsidiary.

“**Audit Committee**” or “**Committee**” means Committee of the Board of Directors of the Bank constituted under provisions of the SEBI Listing Regulations, Companies Act and RBI instructions as applicable to Private Sector Banks.

“**Arm’s length transaction**” -

In terms of the Companies Act, the expression ‘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.

“Board” means Board of Directors of the Bank.

“Control” shall have the same meaning as defined in the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and which is presently, as follows – “Control” includes 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.

Accounting Standard 18 (“**AS-18**”) defines “**Control**” as follows:

- i. ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or
- ii. control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or
- iii. a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.

“Key Managerial Personnel” shall have the same meaning as defined under Section 2(51) of the Companies Act and includes:

- 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.

“Key Management Personnel” in terms of the Accounting Standard means those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise, having such authority or responsibility) of that entity. For example, in case of a company, the managing director(s), whole time director(s), manager and any person in accordance with whose directions or instructions the board of directors of the company is accustomed to act, are usually considered key management personnel.

“Related Party Transaction(s) requiring Shareholders’ approval”

(a) As provided in Section 188 of the Companies Act, any transaction entered into with a Related Party as defined under Section 2(76) of the Companies Act 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 Companies (Meetings of the Board and its Powers) Rules, 2015.

- sale, purchase or supply of any goods or materials, directly or through appointment of agent - Amounting to 10% or more of the turnover of the Bank;
- selling or otherwise disposing of, or buying, property of any kind, directly or through appointment of agent - Amounting to 10% or more of the net worth of the Bank;
- leasing of property of any kind - Amounting to 10% or more of the turnover of the Bank;

- availing or rendering of any services, directly or through appointment of agent - Amounting to 10% or more of the turnover of the Bank;
- such related party's appointment to any office or place of profit in the Bank, its subsidiary company or associate company - Monthly remuneration exceeding two and half lakh rupees; and
- underwriting the subscription of any securities or derivatives thereof, of the Bank - Remuneration exceeding 1% of net worth

(b) As defined under Regulation 23(1) of the **SEBI Listing Regulations**, “**Material Related Party Transactions**” means:

A transaction with a Related Party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds the lower of following:

- Rupees One Thousand crore; or
- Ten per cent of the Annual Consolidated Turnover of the Bank as per the last audited financial statements of the Bank.

Exception: A transaction involving payments made to a Related Party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five per cent of the Annual Consolidated Turnover of the Bank as per the last audited financial statements of the Bank.

“**Material Modification**” shall mean any modification made in the terms and conditions of any ongoing or proposed Related Party Transaction, as originally approved by the Audit Committee and/or Board or shareholders, as the case may be, having a significant impact on the nature, value, tenure, exposure, or likely financial impact of such transaction, as may be determined by the Audit Committee from time to time.

For the purpose of this Policy, “Material Modification” shall mean subsequent to entering into a contract or arrangement for a related party transaction, change in the overall pricing or rate having financial implication of more than 20% or ₹ 100 crore, whichever is higher, of the eligible contract. The test for Material Modification will apply only to “Eligible Contracts”. An Eligible Contract in the context of the Bank is a contract that relates to a Balance sheet or Profit & Loss account variable, if the value of the said contract taken individually is in excess of ₹ 100 crore.

It may further be noted that the following shall not be considered as Material Modification –

- i. modifications uniformly affected for similar transactions with unrelated parties,
- ii. modifications pursuant to and in accordance with the terms of the approved transaction/contract, whether with or without mutual consent of parties, as the case may be,
- iii. modifications which may be mandated pursuant to change in law,
- iv. The above mentioned limits of 20% or ₹ 100 crore will not apply for transactions with Related Parties wherein omnibus approval has been obtained considering repetitive nature of the transactions.

“**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.

“Ordinary course of business” for the purpose of this Policy, may include the transactions undertaken by the Bank:

- in the normal course of banking business as permitted by applicable laws / regulations / rules / guidelines / circulars etc.;
- as part of customary business practices, policies, products or by its long standing conduct.

“Policy” means this Policy on Related Party Transactions .

“Relative” and “Related Party” means as defined in Para 4 of the Policy.

“Related Party Transaction” as defined under Regulation 2(1)(zc) of the SEBI Listing Regulations, means a transaction involving a transfer of resources, services or obligations between:

- Bank or any of its Subsidiaries on one hand and a Related Party of the Bank or any of its Subsidiaries on the other hand; or
- Bank 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 Bank or any of its Subsidiaries,

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.

Following shall not be a Related Party Transaction:

- a) 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;
- b) the following corporate actions which are uniformly applicable/ offered to all shareholders in proportion to their shareholding:
 - payment of dividend;
 - subdivision or consolidation of securities;
 - issuance of securities by way of a rights issue or a bonus issue; and
 - buy-back of securities.
- c) acceptance of fixed deposits by the Bank 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 SEBI.
- d) acceptance of current account deposits and saving account deposits by the Bank in compliance with the directions issued by the Reserve Bank of India from time to time.

Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon.

- e) retail purchases from the Bank or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.

Explanation: For the purpose as above, “retail purchases” would mean purchase/availing of products and services offered by the Bank in the ordinary course of its banking business, or, in case of any related party transaction by any subsidiary, by such subsidiary in ordinary course of its business, through retail channels, i.e., branches or business outlets through which the Bank/subsidiary services its retail customers, on terms which are uniformly offered to all of its employees as per applicable policies of the Bank/subsidiary, subject, however, to applicable regulations.

Subsidiary company” or “Subsidiary”

As per Section 2(87) of the Companies Act, Subsidiary in relation to any other company (that is to say the holding company), means a company in which the holding company:

- i. controls the composition of the Board of Directors; or
- ii. exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies.

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation - For the purposes of this clause:

- a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- b) the composition of a company’s Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- c) the expression “company” includes any body corporate;
- d) “layer” in relation to a holding company means its subsidiary or subsidiaries;

As per para 10.11 of AS-18, Subsidiary means a company:

- a) in which another company (the holding company) holds, either by itself and/or through one or more subsidiaries, more than one-half in nominal value of its equity share capital; or
- b) of which another company (the holding company) controls, either by itself and/or through one or more subsidiaries, the composition of its board of directors.

“Significant Influence”

In terms of the Companies Act, 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.

As per AS-18, in context of “Related Party Transactions”, the term ‘Significant Influence’ means participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.

"Turnover"

As per Section 2(91) of the Companies Act, 'Turnover' means the gross amount of revenue recognised in the profit and loss account 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 Bank, the 'Turnover' is considered as the 'Total Income', i.e., Total of Interest Income and Other Income.

It may be noted that this Policy framework, including the definitions above, is meant solely for the purposes of compliance with Related Party Transaction requirements under Companies Act and Regulation 23 of the SEBI Listing Regulations.

The above terms may have different connotations for other purposes like disclosures in the financial statements, which are governed by applicable regulations, accounting standards, regulatory guidelines etc.

4. Disclosure of Related Party

A. RELATIVE:

- ▶ As per Section 2(77) of the **Companies Act**, "relative" with reference to any person, 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;
 - Father (including step-father)
 - Mother (including the step-mother)
 - Son (including the step-son)
 - Son's wife
 - Daughter
 - Daughter's husband
 - Brother (including step-brother)
 - Sister (including step-sister)

- ▶ **As per AS-18:**
Relative in relation to an individual, means the spouse, son, daughter, brother, sister, father and mother who may be expected to influence, or be influenced by, that individual in his/her dealings with the reporting enterprise.

- ▶ **In terms of SEBI Listing Regulations, the term "relative" means:**
Relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed there under.

B. RELATED PARTY, WITH REFERENCE TO BANK MEANS:

"**Related Party**" means related party as defined under Section 2(76) of the Companies Act, 2013, Accounting Standard 18 (AS-18) issued by the Institute of Chartered Accountants of India and Regulation 2 (1)(zb) of SEBI Listing Regulations.

► **As per Companies Act:**

Section 2(76) of the Companies Act defines “related party”, which with reference to a company, means –

- 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:

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 holding, subsidiary or an associate company of such company;
 - a subsidiary of a holding company to which it is also a subsidiary; or
 - 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. a director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company.

► **As per AS-18:**

Para 10.1 of the AS-18 defines “related party” where parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Further, AS-18 applies to the following Related Party relationships:

- i. enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);
- ii. associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture;
- iii. individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
- iv. key management personnel and relatives of such personnel; and
- v. enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

Para 4 of AS-18, lists down the parties which are not deemed to be related parties. The same shall be applicable to the Bank.

► **As per SEBI Listing Regulations :**

Regulation 2(1)(zb) of the SEBI Listing Regulations defines the term “Related Party” as follows:

A Related Party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

- i. any person or entity forming a part of the promoter or promoter group of the Bank; or
- ii. any person or any entity, holding equity shares of 10% or more in the Bank either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediately preceding financial year.

shall be deemed to be a Related Party.

Each Director and Key Managerial Personnel of the Bank is responsible for providing declaration to the Company Secretary on their Related Parties 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, at the time of first board meeting in every financial year and as and when there is any change in last provided information/ declaration, promptly.

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 declaration provided by the Directors and Key Managerial Personnel of the Bank and its Subsidiaries.

The list of Related Parties as maintained by the Secretarial Department shall be updated whenever necessary for dissemination to the functional departments of the Bank and to the Subsidiary(ies) to identify the Related Party Transactions. Further, same shall be reviewed and updated on a quarterly basis, as per changes received during the quarter, and confirmations received for the quarter to further communicate to the functional departments of the Bank and to the Subsidiary(ies) to identify the Related Party Transactions.

5. Identification of Potential Related Party Transactions

Each Director and Key Managerial Personnel of the Bank and its Subsidiaries is responsible for providing notice to the Management of the Bank and 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 Audit Committee/ Board may reasonably request. Audit Committee/ Board will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

The functional departments shall submit to the Head – Finance & Accounts and the Company Secretary, the details of proposed transaction with draft agreement or other supporting documents to identify requirement of necessary approvals. Based on such information, the Company Secretary will facilitate for the necessary approval from the Audit Committee and/or Board of Directors and/or shareholders of the Bank, as applicable.

6. Review and Approval of Related Party Transactions

A. Audit Committee

Prior approval of the Audit Committee of the Bank to be obtained for all Related Party Transactions and subsequent Material Modifications undertaken by the Bank, except for transactions between the Bank and its wholly owned subsidiary company to the extent permitted under applicable laws.

Prior approval of the Audit Committee of the Bank to be obtained for all Related Party Transactions undertaken by the Subsidiary and to which the Bank 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 ten per cent of the Annual Standalone Turnover, as per the last audited financial statements of the Subsidiary of the Bank.

Remuneration and sitting fees paid by the Bank or its subsidiary(ies) to its director, key managerial personnel or senior management shall not require approval of the Audit Committee; provided the same does not qualify as a Material Related Party Transaction.

Only those members of the Audit Committee, who are independent directors, shall approve Related Party Transactions.

Any member of the Audit Committee/ Board who has a potential interest in any Related Party Transaction will recuse himself or herself from the meeting and shall abstain from discussion and voting on the approval of the Related Party Transaction. The Audit Committee shall consider all relevant factors, including but not limited to those as prescribed under applicable laws, while deliberating the Related Party Transactions for its approval.

The Audit Committee shall also review the status of long-term (more than one year) or recurring Related Party Transactions on an annual basis. Further, an RPT for which the Audit Committee has granted omnibus approval shall continue to be placed before the shareholders if it is Material Related Party Transaction.

B. Board of Directors

Related Party Transactions which are not in ordinary course of business and/or not on arm's length basis shall require prior consent of the Board of Directors of the Bank, in addition to the approval of the Audit Committee, in accordance with Section 188 of the Companies Act, 2013.

C. Shareholders

The following Related Party Transactions shall require prior approval of the Shareholders of the Bank by way of Ordinary Resolution, in addition to the approval of the Audit Committee and the Board of Directors of the Bank:

- i. Related Party Transactions which are not in ordinary course of business and/or not on arm's length basis and which crosses threshold limit as prescribed under Section 188 of the Companies Act, 2013 read with Rule 15 of Companies (Meetings of the Board and its Powers) Rules, 2015.

- ii. Material Related Party Transactions as defined under SEBI Listing Regulations;
- iii. Subsequent Material Modifications to the Material Related Party Transactions as defined by Audit Committee.

No Related Party shall vote to approve such resolutions at the general meeting, whether the entity is a Related Party to the particular transaction or not.

The approval matrix framework is provided as 'Annexure A'.

7. General criteria for approval of Related Party Transactions

To review a Related Party Transaction, the Audit Committee, Board and Shareholders to be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Bank and to the Related Party, and any other relevant matters, in terms of applicable laws, including relevant circulars issued by SEBI and other statutory authority.

8. Decision regarding Transaction in the Ordinary Course of Business and at Arm's Length

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

9. Omnibus approval by Audit Committee for Related Party Transactions

All Related Party Transactions shall require prior approval of the Audit Committee, unless specifically exempted under applicable laws.

The Audit Committee may grant omnibus approval in accordance with the provisions of Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 23 (3) of the SEBI Listing Regulations for Related Party Transactions which are of repetitive/regular nature proposed to be entered into.

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered by the Bank or its subsidiaries, that are repetitive in nature and in the interest of the Bank, 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.

The Audit Committee may also, in the interest of the Bank, grant omnibus approval for Related Party Transactions that cannot be foreseen and for which the aforesaid details are not available subject to their value not exceeding ₹ 1 crore per transaction or such other amount as may be prescribed in the applicable regulations in this regard from time to time.

The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Bank or its subsidiaries, pursuant to each of the omnibus approvals given. Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of financial year.

10. Related Party Transactions not approved under this Policy

In the event the Bank becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation/ execution, the Bank would obtain post facto approval from the Audit Committee, the Board and/or Shareholders of the Bank as required under applicable law.

The ratification of Related Party Transactions by the Audit Committee shall be subject to the adherence of the following conditions:

- Only those members of the Audit Committee, who are independent directors, can ratify Related Party Transactions;
- The Related Party Transactions are to be ratified in the immediate next Audit Committee meeting, subject to a maximum period of three months from the date of transaction, whichever is earlier;
- The value of ratified transactions with a Related Party, whether entered into individually or taken together with other ratified transactions, shall not exceed rupees one crore during a financial year;
- The transaction shall not be a Material Related Party Transaction;
- The rationale for inability to seek prior approval for the Related Party Transaction shall be placed before the Audit Committee while seeking ratification;
- The details of ratification shall be disclosed along with the disclosures of Related Party Transactions to the stock exchanges as per Para 11 of this Policy.

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 Bank, including ratification, revision or termination of the Related Party Transaction. 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, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy, in compliance with applicable regulations.

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 the related party to any director or is authorised by any other director, the director concerned shall indemnify the Bank against any loss incurred by it.

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 resolution in the General Meeting under Section 188 of the Companies Act, 2013, 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 contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the 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 Bank against any loss incurred by it.

11. Reporting of Related Party Transactions

The Bank shall disclose each year, in its financial statements, the transactions between the Bank and its Related Parties, as well as policies concerning transactions with Related Parties, in such manner and form as may be prescribed under the applicable laws and the accounting standards.

Every contract or arrangement entered into under Section 188(1) of the Companies Act and duly approved by the Board/ Shareholders under this Policy, shall be referred to in the Boards' Report to the Shareholders along with the justification for entering into such contract or arrangement.

The details of Material Related Party Transactions will be included in the Corporate Governance Reports which are required to be submitted to the Stock Exchanges on a quarterly basis.

The details of materially significant Related Party Transactions that may have potential conflict with the interests of Bank, shall be included in the Corporate Governance Report which forms part of the Annual Report of the Bank.

The Bank shall also submit to the Stock Exchanges, within such timelines as may be prescribed, disclosures of Related Party Transactions in the format as specified by SEBI from time to time, and publish the same on its website, along with its financial results.

The remuneration and sitting fees paid by the Bank or its subsidiary to its director, key managerial personnel or senior management, shall not require disclosure to stock exchanges, provided that the same is not a Material Related Party Transaction.

"Related Party Disclosures" will be made by the Bank as per applicable Accounting Standard and in terms of the Master Circular issued by the RBI on "Disclosure in Financial Statements - 'Notes to Accounts'".

12. Policy Review

This Policy is framed based on the provisions of the SEBI Listing Regulations, the Companies Act, 2013 and rules thereunder and other applicable laws. In case of any subsequent changes in the provisions of the SEBI Listing Regulations or the Companies Act and rules thereunder or other applicable laws, 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.

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 and on an annual basis.

13. Disclosure of Policy

This Policy will be communicated to all employees and other concerned persons of the Bank and shall be placed on the website of the Bank at www.idfcfirstbank.com and the web link thereto will be provided in Corporate Governance section of the Annual Report.

Approval Matrix Framework

Ceiling on the Amount	Approval Required		
	Audit Committee [#]	Board of Directors [^]	Shareholders*
For transactions upto Rupees One Thousand Crore or upto 10% of the Annual Consolidated Turnover of the Bank, as per the last audited financial statements, whichever is lower. (In respect to brand usage or royalty, upto 5% of the Annual Consolidated Turnover of the Bank, as per the last audited financial statements, to be considered)	Yes	-	-
In excess of above limits	Yes	Yes	Yes
Transactions exceeding 10% of the Annual Standalone Turnover of the Subsidiary, per the last audited financial statements, in which the Subsidiary of the Bank is a party, but Bank is not a party	Yes	-	-
Transactions either not in the ordinary course of business or arm's length basis			
Provisions	Approval Required		
	Audit Committee [#]	Board of Directors [^]	Shareholders*
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 Company.	Yes	Yes	Yes (Remuneration for underwriting the

			subscription of any securities or derivatives thereof, of the company exceeding 1% of net worth)
Any other transaction with Related Parties, other than those covered above, resulting in transfer of resources, obligation or services.	Yes	For Transactions referred by the Audit Committee that are not in the ordinary course of business and/or on arm's length basis.	Exceeding ₹ 1000 crore or 10% of the annual consolidated turnover of the Bank

The Audit Committee shall approve all Related Party Transactions ("**RPTs**") including those that qualify as Material Related Party Transactions. The Committee shall also approve all subsequent Material Modifications to RPTs. However, only those members of the Audit Committee, who are Independent Directors, shall approve related party transactions.

^ The Board of Directors shall approve all the RPTs required by the statute and referred by the Audit Committee for approval.

* All Material RPTs and subsequent Material Modifications to Material RPTs shall require prior 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.

As per Regulation 23(5) of the SEBI Listing Regulations and Section 188 of Companies Act, 2023, above approval is not required for transactions between the Bank and its wholly owned subsidiary, whose accounts are consolidated with the Bank and placed before the shareholders for approval at the general meeting.