

National Bank for Financing Infrastructure and Development

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS

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Version 2.0

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Title: POLICY ON MATERIALITY OF RELATED PARTY
TRANSACTIONS AND ON DEALING WITH RELATED
PARTY TRANSACTIONS

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Applicable to: The Bank and all its Employees, Related Parties etc.

Drafted by/ Issuing group: Company Secretariat Department

List of Abbreviations and Acronyms used in the Policy

AIFI	All India Financial Institution
HVDLE	High Value Debt Listed Entity
KMP	Key Managerial Personnel
NaBFID Act	National Bank for Financing Infrastructure and Development Act, 2021
NaBFID/Institution	National Bank for Financing Infrastructure and Development
NaBFID General Regulations	National Bank for Financing Infrastructure and Development General Regulations, 2022
NOC	No-objection Certificate
SEBI LODR	SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015

1. BACKGROUND:

This Policy is formulated and governed by the following statutes, regulations –

- Section 19 and other applicable provisions of the National Bank for Financing Infrastructure and Development Act, 2021 (“NaBFID Act”) and its underlying Rules and Regulations.
- Regulation 62K and other applicable regulations of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 (“SEBI LODR”) and the relevant circulars/guidance issued thereunder by SEBI / Stock Exchanges from time to time.
- The Companies Act, 2013, to the extent of definition reference as mentioned in abovenamed regulatory requirements/statutes/directions etc.

This policy aims to regulate the transactions between National Bank for Financing Infrastructure and Development (NaBFID/the Institution) and its related parties based on the applicable provisions of the NaBFID Act and its underlying Rules and SEBI LODR. It intends to define a framework for proper approval and reporting of transactions between NaBFID and its related parties.

This Policy shall be reviewed by the Audit Committee and the Board of Directors of the Institution from time to time.

2. DEFINITIONS:

“Related Party” - As per Rule 2(e) of the National Bank for Financing Infrastructure and Development General Rules, 2022, “related party” with reference to the Institution, shall have the same meaning as is assigned to the term in clause (76) of section 2 of the Companies Act, 2013 (18 of 2013) with reference to a company.

As per sub-clause (76) of sections 2 of the Companies Act 2013, Related Party means:

- (i) a director or his relative;
- (ii) 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. a holding, subsidiary or an associate company of such company;
- b. a subsidiary of a holding company to which it is also a subsidiary; or
- c. an investing company or the venturer of the company;

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.

Further, as per Regulation 2(1)(zb) of SEBI LODR, a related party, in addition to the above, shall also include a related party as defined under the applicable accounting standards.

Provided that:

(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:

(i) of twenty per cent or more; or

(ii) of ten per cent or more, with effect from April 1, 2023;

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

“Relative” - The term ‘relative’ shall have the meaning given to it under clause (77) of Section 2 of the Companies Act, 2013:

‘Relative’ with reference to any person, means any one who is related to another, if:

- i. they are members of a Hindu Undivided Family;
- ii. they are husband and wife; or
- iii. A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:
 - (a) Father (includes step-father)
 - (b) Mother (includes step-mother)
 - (c) Son (includes step-son)
 - (d) Son’s wife
 - (e) Daughter
 - (f) Daughter’s husband
 - (g) Brother (includes step-brother)

- (h) Sister (includes step-sister)

“Related Party Transaction” - Related Party Transactions means any contract or arrangement as specified under Section 19 of the NaBFID Act with a related party with respect to:

- (a) sale, purchase or supply of any goods or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (c) leasing of property of any kind;
- (d) availing or rendering of any services;
- (e) appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) such related party's appointment to any office or place of profit in the Institution, its subsidiaries or joint ventures or associate companies;
- (g) underwriting the subscription of any securities, or derivatives thereof, of the Institution:

Further, as per Regulation 2(1)(zc) of SEBI LODR:

Related Party Transactions shall also include a transaction involving a transfer of resources, services or obligations between:

- i. a listed entity (NaBFID) or any of its subsidiaries on one hand and a related party of the listed entity (NaBFID) or any of its subsidiaries on the other hand; or
- ii. a listed entity (NaBFID) 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 (NaBFID) or any of its subsidiaries, with effect from April 1, 2023;

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:

Provided that the 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:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.
- c) acceptance of fixed deposits by banks/Non-Banking Finance Companies 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:

- d) acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction 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 any listed entity or its subsidiary by the directors or key managerial personnel of the listed entity or its subsidiary, and relatives of such directors or key managerial personnel, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees, directors, key managerial personnel and relatives of directors or key managerial personnel.

“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 per Section 19 of the NaBFID Act).

A transaction with a related party will be considered to be on arm’s length basis if the key terms, including pricing of the transaction, taken as a whole, are comparable with those of similar transactions if they would have been undertaken with unrelated parties.

“Office or place of profit” - As per Section 19 of the NaBFID Act means any office or place:

- (i) where such office or place is held by a director, if the director holding it receives from the Institution anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- (ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the Institution anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

“Ordinary course of business” - Ordinary Course of Business includes but not limited to a term for activities that are necessary, normal, and incidental to the business. These are common practices and customs of commercial transactions. The ordinary course of business covers the usual transactions, customs and practices related to the business.

The following factors are indicative of a transaction being in the ordinary course of business:

- a. The transaction is normal or otherwise unremarkable for the business.
- b. The transaction is frequent/regular
- c. The transaction is a source of income for the business
- d. Transactions that are part of the standard industry practice, even though the Institution may not have done it in the past.

These are not exhaustive criteria and the Institution will have to assess each transaction considering its specific nature and circumstances.

“Material Related Party Transaction” - “Material Related Party Transactions” would mean related party transactions as specified under Regulation 8 of the National Bank for Financing Infrastructure and Development General Regulations, 2022 requiring Board/Shareholders’ approval as the case may be.

Further as per SEBI LODR, 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 Rupees One Thousand Crore or ten per cent. of the annual consolidated turnover of NaBFID as per the last audited financial statements of NaBFID, whichever is lower.

Notwithstanding the above, 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 NaBFID as per the last audited financial statements of NaBFID.

“Material Modifications” - means any modification to the existing Related Party Transaction which has the effect of increasing or decreasing the value of original contract by 25% or more.

Note: 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.

It is clarified that all transactions pertaining to lending to related parties shall also be governed by separate policy of the Institution framed under Reserve Bank of India (All India Financial Institutions - Credit Risk Management) Directions, 2025 dated November 28, 2025 and as amended from time to time.

3. AMOUNT FOR TRANSACTIONS WITH RELATED PARTY

As per Regulation 8 of NaBFID General Regulations, the Institution shall not enter into a transaction without approval of the Board/Shareholders as the case may be, where the transaction to be entered into,—

- (a) as contracts or arrangements relating to matters referred to in clauses (a) to (e) of sub-section (1) of section 19 involving—
 - (i) sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten per cent. or more of the turnover of the Institution;
 - (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten per cent. or more of net worth of the Institution;

- (iii) leasing of property any kind amounting to ten per cent. or more of the turnover of the Institution;
- (iv) availing or rendering of any services, directly or through appointment of agent, amounting to ten per cent. or more of the turnover of the Institution;
- (b) is for appointment to any office or place of profit in the Institution, its subsidiaries or associate companies at a monthly remuneration exceeding two and a half lakh rupees;
- (c) is for remuneration for underwriting the subscription of any securities, or derivatives thereof, of the Institution exceeding one per cent. of the net worth.

Explanation-

- (a) the percentage referred to in sub-clauses (i) to (iv) of clause (a) shall be reckoned for the transaction to be entered into taken together with previous transactions during a financial year;
- (b) turnover and net worth shall be computed on the basis of the audited financial statement of the preceding financial year;
- (c) explanatory statement to be annexed to the notice of a general meeting of shareholders shall contain the following particulars, namely:—
 - (i) name of the related party;
 - (ii) name of the director or key managerial personnel who is related, if any;
 - (iii) nature of relationship;
 - (iv) nature, material terms, monetary value and particulars of the contract or arrangements;
 - (v) any other information relevant or important for the members to take a decision on the proposed resolution.

4. APPROVAL PROCESS FOR RELATED PARTY TRANSACTIONS

(i) Approval of the Audit Committee

- All related party transactions and subsequent material modifications shall require prior approval of the Audit Committee of the Institution.

Provided that only those members of the Audit Committee, who are Independent Directors, shall approve related party transactions.

Further, any Director having a potential interest in any related party transaction will not participate in discussions and voting on the approval of the related party transactions. (As per Rule 7 of NaBFID General Rules).

- The Audit Committee may grant omnibus approval for related party transactions proposed to be entered into by NaBFID subject to the following conditions as specified under Regulation 4(2) of the NaBFID General Regulations, namely: -

- a. the Audit Committee shall formulate the criteria for granting omnibus approval, including those transactions which are repetitive in nature;
- b. the Audit Committee shall satisfy itself that such approval is in the interest of the Institution;
- c. the omnibus approval shall specify the following conditions, namely: —
 - (i) the details regarding the name of the related party, the nature, period and maximum amount of the transactions that shall be entered into;
 - (ii) the details regarding indicative base price or current contracted price, along with the formula, if any, for variation in the price;
 - (iii) such other conditions as the Audit Committee may deem fit:

Provided that where the need for related party transaction cannot be foreseen and the said details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding one crore rupees per transaction;

- d. a related party transaction to which the subsidiary of a listed entity (NaBFID) is a party but the listed entity(NaBFID) is not a party, shall require prior approval of the audit committee of NaBFID 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 consolidated turnover, as per the last audited financial statements of the listed entity (NaBFID);
- e. a related party transaction to which the subsidiary of NaBFID is a party but NaBFID is not a party, shall require prior approval of the audit committee of NaBFID 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;
- f. prior approval of the Audit Committee of NaBFID shall not be required for a related party transaction to which the listed subsidiary is a party but NaBFID is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of SEBI LODR regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of NaBFID as referred to in clause (d) above, the prior approval of the audit committee of the listed subsidiary shall suffice.

- g. the Audit Committee shall review on a quarterly basis, the details of related party transactions entered into by NaBFID pursuant to every omnibus approval given;

- h. the omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

(ii) Approval of the Board of Directors

Upon approval by the Audit Committee, Related Party Transactions which are either not in the Ordinary Course of Business or not at the Arms' Length, require prior approval of the Board.

Further, all material related party transactions and subsequent material modifications as defined by the Audit Committee, shall require prior approval of the Board through resolution and no related party shall vote to approve such resolution, whether the entity is related party to a particular transaction or not.

The approval of the Board of Directors is not required for transactions entered into between NaBFID and its wholly owned subsidiary, if any, whose financial statements are consolidated with NaBFID and placed before the shareholders at the general meeting for adoption.

Any Director having a potential interest in any related party transactions will not participate in discussions and voting on the approval of the related party transactions.

(iii) Information to be reviewed by the Audit Committee or Board for approval of Related Party Transactions

As per Rule 7 of NaBFID General Rules, the Institution shall provide the following information, for review of the Audit Committee or Board, for approval of a proposed Related Party Transaction:

- (a) the name of the related party and nature of relationship;
- (b) the nature, duration and particulars of the contract or arrangement;
- (c) the material terms of the contract or arrangement, including the value thereof, if any;
- (d) advance paid or received, if any, for the contract or arrangement;
- (e) the manner of determining the pricing and other commercial terms, irrespective of whether or not the same are included in the contract;
- (f) whether all factors relevant to the contract have been considered and, if not, the details of the factors not considered, along with the rationale for not considering the same; and
- (g) any other information relevant for the Audit Committee or the Board, as the case may be, to take decision in the matter.

(iv) NOC/ Approval of Debenture Trustee/ Debenture Holder:

Upon approval by the Audit Committee and the Board, all material related party transactions and subsequent material modifications shall require prior No-Objection Certificate from the Debenture Trustee and the Debenture Trustee shall in turn obtain No-Objection from the

debenture holders who are not related with the Issuer and hold at-least more than fifty percent of the debentures in value, on the basis of voting including e-voting.

Explanation (1): If the No-Objection Certificate has been withheld, the matter shall not be taken forward for shareholders' consideration.

Explanation (2): This No-Objection Certificate from Debenture Trustee and debenture holders shall be obtained in respect of listed debt securities issued on or after April 1, 2025:

Provided further that prior approval of the shareholders and No-objection Certificate by Debenture Trustee specified in sub-regulation (5) of regulation 62K of SEBI LODR shall not be required for a related party transaction, to which the listed subsidiary is a party but NaBFID is not a party, if regulation 62K of these regulations is applicable to such listed subsidiary.

Explanation (3): For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders and No-objection Letter from Debenture Trustee of the listed subsidiary, in the manner as specified in sub-regulation (5) of regulation 62K of SEBI LODR, shall be obtained.

(v) Approval of the Shareholders

Upon the requisite approvals by the Audit Committee, the Board and NOC/ Approval from Debenture Trustee/ Debenture Holder, if the transaction is a Material Related Party Transaction and subsequent material modification thereof, the same should be placed before the general meeting of the shareholders for their approval by way of a resolution.

However, the requirement of shareholders' approval shall not be applicable for transactions between NaBFID and its wholly owned subsidiary, if any, whose financial statements are consolidated with NaBFID and placed before the general meeting of the shareholders for adoption. No shareholder shall vote in such general meeting to approve any contract or arrangement which may be entered into by NaBFID, if such shareholder is a related party.

(vi) Para 4(i) to 4(iv) of this policy shall not be applicable in the following cases:

- a. transactions entered into by NaBFID with another government Company(ies);
- b. transactions entered into between NaBFID and its wholly owned subsidiary, if any, whose accounts are consolidated with NaBFID and placed before the shareholders at the general meeting for approval; and
- c. transactions entered into between two wholly-owned subsidiaries of NaBFID whose accounts are consolidated with NaBFID and placed before the shareholders at the general meeting for approval.

Explanation: For the purpose of clause (a) of this sub-regulation, "government company" means Government company as defined in sub-section (45) of Section 2 of the Companies

Act, 2013.

5. TREATMENT OF RELATED PARTY TRANSACTIONS WHICH DID NOT GET PRIOR APPROVAL UNDER THIS POLICY

- Where any contract or arrangement is entered into by a Director or any employee, without obtaining the consent of the Board or approval by a resolution in the general meeting of the shareholders under Section 19 (1) of the NaBFID Act 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, or is authorized by any other director, the directors concerned shall indemnify NaBFID against any loss incurred by it.
- Without prejudice to anything contained in Section 19 (3) of NaBFID Act, it shall be open to NaBFID to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.
- As per Section 19 (5) of the NaBFID Act, any director or employee of NaBFID who had entered into or authorized a contract or arrangement in violation of the provisions of this section, shall be liable to pay penalty of a sum of up to twenty-five lakh rupees.

6. REPORTING OF RELATED PARTY TRANSACTIONS

Every contract or arrangement, which is required to be approved by the Board/Shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement (as per Section 19 of NaBFID Act)

Further, NaBFID shall make relevant disclosures to stock exchanges about the related party transactions in the prescribed format from time to time.

Details of exposures to related parties shall be disclosed in the Financial Statements in the prescribed format, as defined in Reserve Bank of India (All India Financial Institutions - Credit Risk Management) Directions, 2025.

7. EFFECT OF SUBSEQUENT ENACTMENT/OR AMENDMENT/OR CHANGE OF LISTING REGULATION IN THIS POLICY:

In case of any subsequent enactment/amendment/change in the SEBI LODR and other applicable laws, this Policy shall be deemed to be modified or amended to the extent necessary, to give effect to such change from the date of applicability of any such change.

8. POLICY DISCLOSURE AND REVIEW

This policy shall be disclosed on the Institution's Website.

This Policy shall be reviewed by the Board as and when any changes are to be incorporated in the Policy due to change in applicable law or at least once in every three years and updated accordingly.
