

RELATED PARTY TRANSACTIONS POLICY

Related Party Transactions Policy

Responsible Officer	Group Director of Governance
This policy is applicable to	The Group
Policy version	4
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Date of next review	December 2028

Policy Statement

This policy explains how Karbon Group identifies, records, monitors and reports related party transactions. A related party transaction is any transfer of goods, services, money, property, obligations or support between the Group and a related party, whether or not payment is made.

This policy enables us to be open, transparent and compliant with financial reporting requirements, including FRS 102 and the Housing SORP. It supports clear governance by making sure any relationships or transactions that could affect the Group's financial statements are properly declared and disclosed.

Individuals covered by this policy must complete a Declaration of Interest each year, update it if circumstances change, and declare relevant interests when they are discussed in formal meetings.

The Group will disclose related party relationships, transactions, outstanding balances and commitments in its Financial Statements where required.

Risk the policy is designed to control

6. Governance and Compliance – to demonstrate that we are transparent and open about our transactions, and we meet statutory and regulatory reporting requirements. Related party transaction disclosures are necessary to draw attention to the possibility that financial position and profit or loss have been affected by the existence of related parties and transactions/ outstanding balances with these parties.

Key performance measures

Disclosures in the Annual Financial Statements comply with FRS 102 and the Housing SORP

Annual report to Group Audit and Risk Committee as part of annual Register Review

Definitions

1. A Related Party is defined by the Financial Reporting Standards as:
A person or entity that is related to the entity that is preparing its financial statements (the reporting entity).

A person, or a close family member of that person's family, is related to a reporting entity if that person:

- i) has control or joint control over the reporting entity;

ii) has significant influence over the reporting entity;
iii) is a member of the key management personnel of the reporting entity or a parent of the reporting entity.

2. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (executive or otherwise) of that entity.
3. A close family member may be:
 - A spouse, or a partner considered to be equivalent to a spouse
 - A dependent child
 - A relative who has shared the same household for at least one year on the date that the transaction occurred
 - A corporate trust, body or partnership that is set up for the benefit of such a person.
4. An entity is related to a reporting entity if:
 - The entity and the reporting entity are members of the same group
 - One entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member, i.e. subsidiaries of joint venture or associate)
 - Both entities are joint ventures of the same third party
 - One entity is a joint venture of a third entity and the other entity is an associate of the third entity
 - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity
 - The entity is controlled or jointly controlled by an individual identified as a related party
 - An individual who has control or joint control over the reporting entity has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)
 - The entity, or a member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Abbreviations

RPT: Related Party Transaction

FRS: Financial Reporting Standard

SORP: Statement of Recommended Practice

Policy Detail

1.0 Purpose of policy

1.1 The purpose of this policy is to set out the circumstances under which a Related Party Transaction must be reported and disclosed as part of the Financial Statements and the processes by which these are identified, recorded and monitored. The policy is closely related to the Declarations of Interest process.

1.2 The policy applies to:

The Group, Karbon Homes including any subsidiaries and any subsidiary housing associations.

Colleagues and entities who are designated as related parties under the Financial Reporting Standards (FRS) definition.

2.0 Objectives

2.1 The aims of the policy are to ensure that:

- The Group meets the requirements of the FRS, Housing SORP and Regulations in relation to Related Party Transactions.

3.0 Policy detail

3.1 Introduction

- 3.1.1 The FRS and the Housing SORP require that Related Party Transactions (RPTs) are declared in the Group's Financial Statements.
- 3.1.2 The definitions of a related party, a related entity and a related party transaction are set out in the Definitions section, above.
- 3.1.3 A related party relationship is not necessarily just defined in a legal form, it encompasses the 'substance' of the relationship.
- 3.1.4 Related Party Transaction disclosures are not required for transactions entered into between two or more members of the Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member. However, relationships between a parent and its subsidiaries must be disclosed irrespective of whether there have been related party transactions.

3.2 Related Parties for the Group

- 3.2.1 Related parties for the Group include (but are not limited to):
- Board and Committee members (Parent and Subsidiary), which includes Non-Executive Directors, Independent Members and Resident Members.
 - Members of Executive Team and Karbon Leadership Team (KLT)
 - Members of the leadership team of any subsidiary housing association of Karbon
 - Close family members of the above
- 3.2.2 Related entities for the Group include (but are not limited to):
- The parent company
 - Subsidiary companies
 - Joint venture companies and/or associates
 - Pensions Fund provider
 - An entity controlled or jointly controlled by one of the Related Parties outlined above

- An entity which is significantly influenced by one of the Related Parties outlined above, or of which one of the Related Parties outlined above is a member of the key management personnel.

3.2.3 The Group does not have any Persons of Significant Control (PSCs).

3.3 Related Party Transactions

3.3.1 Transactions could include transfer of resources, services or obligations between the reporting entity and a related party (or vice versa), regardless of whether a price is charged.

3.3.2 Common types of transactions include:

- Transactions between an entity and its principal owners
- Transactions between an entity and another entity, where both are under the common control of a single entity or person
- Transactions in which an entity, or person that controls the reporting entity, incurs expenses directly, that otherwise would have been borne by the reporting entity
- Transactions between the Group companies and a Board or Committee member, or a member of the Executive Team, Karbon Leadership Team, or the leadership team of a subsidiary housing association, or a close family member of such. This includes where tenants are Committee or Board members.
- Transactions between the Group companies and a third-party company in which a Board or Committee member, a member of the Executive Team, Karbon Leadership Team or the leadership team of a subsidiary housing association, or a close family of such, have control or significant influence.

Examples of such transactions include:

- Purchases or sales of goods (finished or unfinished)
- Purchase or sales of property and other assets
- Rendering or receiving of services
- Leases
- Rent payments
- Transfers of goods or services
- Transfers of research and development
- Transfers under licence agreements
- Transfers under financial arrangements (including loans, equity contributions in cash or in kind)
- Provision of guarantees or collateral
- Settlement of liabilities on behalf of the Group entities, or by the Group entities on behalf of another party
- Participation by the parent or a subsidiary entity in a defined benefit plan that shares risks between Group entities
- Key management personnel compensation (unless this is the same as directors' remuneration or equivalent).

3.4 Not Related Party Transactions

3.4.1 The following are not related parties:

- Two entities just because they have a director or other member of key management personnel in common
- Two entities just because a member of key management personnel of one entity has significant influence over the other entity
- Two venturers just because they share joint control over a joint venture
- The following, just because of their normal dealings with an entity:
 - Providers of finance
 - Trade unions
 - Public utilities
 - Government departments and agencies
- A customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business.

3.5 Related Party Transactions: Disclosure Requirements

- 3.5.1 Related parties who are individual persons are required to complete a Declaration of Interest form annually, update this during the year if there are any changes and declare interests (as appropriate) when these are being discussed in formal meetings. Interests should be declared in existing or proposed transactions. An exemption form should be completed in advance where related parties are aware of transactions that they (or an entity that they are related to, as defined above) are intending to undertake with the Group, or vice versa. Should any interests or transactions later be discovered that haven't been declared, this is a serious matter that may constitute a disciplinary offence.
- 3.5.2 As part of the Financial Statements reporting, the Group entities must disclose sufficient information necessary for an understanding of the potential effect of the relationship on the financial statements, including:
- The nature of the related party relationship
 - Information about the transactions, outstanding balances and commitments.
- 3.5.3 At a minimum, the disclosures in the Financial Statements must include:
- The amount of the transactions
 - The amount of outstanding balances and:
 - Their terms and conditions, whether secured and the nature of the consideration to be provided in settlement,
 - Details of any guarantees given or received
 - Provision for uncollected receivables related to the amount of outstanding balances
 - The expense recognised during the period in respect of bad or doubtful debts due from related parties.
- 3.5.4 Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been related party transactions.
- 3.5.6 The Group takes advantage of the exceptions within FRS102 'related party transactions' not to disclose transactions with other wholly owned group companies.

- 3.5.7 Disclosure of items of a similar nature may be disclosed in the aggregate, except when separate disclosure is necessary for an understanding of the effects of the transactions on the financial statements.
- 3.5.8 Key management personnel compensation will be disclosed in total unless this is disclosed as part of directors' remuneration where key management personnel and directors are the same.

4.0 Customer Vulnerabilities

- 4.1 This policy is applied in line with our Customers in Vulnerable Circumstances Policy. We want people to be treated fairly, have equality of opportunities, freedom, respect, and access to our services.
- 4.2 We will support people in vulnerable circumstances to help us deliver this service. We will work alongside external agencies such as social services, the police and fire services and other appropriate agencies to help and support people in vulnerable circumstances and to ensure we meet our statutory and regulatory requirements as a social landlord.
- 4.3 Policies and key information are made available on our website.

5.0 Monitoring and Review

- 5.1 The Company Secretary is responsible for the implementation, monitoring and review of this policy.
- 5.2 This policy will be reviewed at least every 3 years.
- 5.3 Policy review will be undertaken before the expected review date if there are significant changes to legislative or regulatory requirements, good practice or any other situation arises that makes a review necessary.

6.0 Equality and Diversity

- 6.1 This policy is applied in line with our Inclusion and Belonging Policy. This includes the legal requirements of the Equality Act 2010, Workers Protection Act 2023 and the Public Sector Equality Duty.
- 6.2 At the Karbon Group we aim to eliminate discrimination, promote equality of opportunity, foster good relations and define the nine protected characteristics of age, disability, gender reassignment, marriage or civil partnership, pregnancy or maternity, race, religion or belief, sex, or sexual orientation.
- 6.3 If you would like this or any other policies in a different language or format please contact inclusion@karbonhomes.co.uk.

7.0 Data Protection and Privacy

- 7.1 We have a clear policy on data protection and sharing data with other partners/third parties under the requirements of the UK General Data Protection Regulation, the

Data Protection Act 2018 and other associated legislation. This is clearly set out in the Data Protection Policy for the Karbon Group which, along with its associated procedures, must be followed throughout the operation of this policy.

References

- Financial Reporting Standard 102
- Housing Statement of Recommended Practice (SORP)