

Policy on Related Party Transaction (RPT)

Definition of Related Party Transaction: Related Party Transaction relating to any contract or arrangement in respect of the following transactions where Directors/ Employees of the Bank and their relatives are interested can be considered only with the prior approval of the Audit Committee of the Board:

Apart from the prior approval of the ACB, there are certain transactions pertaining to the “Related Party Transactions”, which needs to be approved by the Shareholders by way of special resolution. The details pertaining to Obtention of special resolution are mentioned in the Annexure – III.

- (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 company, its subsidiary company or associate company; and
- (g) Underwriting the subscription of any securities or derivatives thereof, of the company:

Who is a Related Party:

Section 2 (76) of the Companies Act 2013 defines a “related party” as under:

“Related party”, 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 is a member or director;

(v) a public company in which a director or manager is a director or 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 company which is—

(A) a holding, subsidiary or an associate company of such company; or

(B) a subsidiary of a holding company to which it is also a subsidiary;

(ix) such other person as may be prescribed;

Definition of Relative as per RBI directions: The scope of the term 'relative' as defined by the Reserve Bank of India's guidelines would be applicable for all related party transactions. This definition also includes the different relatives as provided under the Companies Act, 2013.

- ✚ Spouse
- ✚ Father
- ✚ Mother (including step-mother)
- ✚ Son (including step-son)
- ✚ Son's Wife
- ✚ Daughter (including step-daughter)
- ✚ Daughter's Husband
- ✚ Brother (including step-brother)
- ✚ Brother's wife
- ✚ Sister (including step-sister)
- ✚ Sister's husband
- ✚ Brother (including step-brother) of the spouse
- ✚ Sister (including step-sister) of the spouse

Definition of Senior Officer as defined by RBI for related party transactions (RPT)

The term 'Senior Officer' will refer to:

- ✚ a) any officer in senior management level in Grade IV and above in a nationalized bank, and
- ✚ b) any officer in equivalent scale
 - (i) in the State Bank of India and associate banks, and
 - (ii) in any banking company incorporated in India.

As per this definition, the policy will consider all employees of the bank in Scale IV and above as related parties.

Applicability of Related Party Transactions: The applicability of related party transactions is stated as per the Companies Act, 2013 and Clause 49 of Listing Agreement of SEBI. A Related Party Transaction generally relate to where office or place of profit is:

(i) held by a director, if the director holding it receives from the company 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) 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 company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

iii. A related party transaction is a transfer of resources, services or obligations between the bank and a related party, regardless of whether a price is charged or not.

iv. A transaction shall be construed to include a single transaction or a group of transactions in a contract.

Materiality of a Related Party Transaction:

A transaction with a related party shall be considered material if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the company as per the last audited financial statements of the company or Rs.100 crores, whichever is lower and further as specified by the Companies Act and the related Rules thereto from time to time.

Methodology for according approval for a Related Party Transaction:

Any Related Party Transaction needs to be placed before the Audit Committee of the Board for prior approval.

1. While according approval for such RPTs, the ACB shall take into account the following:
 - (i) The name/s of the related party,
 - (ii) Nature of transaction
 - (iii) Period of Transaction
 - (iv) Maximum amount of transaction that can be entered into
 - (v) The indicative base price/current contracted prices
 - (vi) The formula for variation in the price, if any.
 - (vii) Such other conditions as the Committee may deem fit.

2. In case where the need for Related Party Transaction cannot be foreseen or aforesaid details are not available, the ACB may grant omnibus approval for such transactions subject to their value not exceeding ₹1 crore per transaction.

3. Transactions entered into between two government companies and between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company are exempted from the purview of the related party transactions.

4. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
5. Details of all sanctions accorded in respect of related party transactions should be forwarded to the Audit & Inspection Department, Secretarial Department and Compliance Department for their information and for further follow up actions where required.

Monitoring of Related Party Transactions:

Any agenda for related party transaction, before placing to the Audit Committee of the Board needs to be routed through the Chief Compliance Officer.

The Compliance Department will be responsible to monitor the adherence of the policy guidelines in respect to Related Party Transactions. For the purpose of monitoring such transactions, the Department may elicit the required information in respect of related party transactions from all the concerned departments and place a consolidated note to the Audit Committee of the Board on a quarterly basis.

The director who is interested on such contract or arrangement, if member of the ACB shall at the time of considering such proposal shall abstain from such discussions.

Penal provisions:

The Companies Act, 2013 provides for the following penal provisions;

- ✚ Sub section (3)-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 special resolution in the general meeting under sub-section (1) 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 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 the company against any loss incurred by it.

✚ Without prejudice to anything contained in sub-section (3) it shall be open to the company to proceed against such director or any other employee who had entered into such contract or arrangement in contravention of the provisions for recovery of any loss sustained by it as a result of such contract or arrangement.

✚ Any director or any other employee of a company, who had entered into or authorized the contract or arrangement in violation of the provisions of this section shall,

(i) in case of listed company, be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both; and

(ii) in case of any other company, be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakhs.

Disclosures:

1. Every contract or arrangement entered into under sub-section (1) shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
2. Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
3. The Bank shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

Notwithstanding anything contained herein above, the Bank's policy on related party transactions shall be governed by the extant guidelines of Companies Act, 2013, Clause 49 of Listing Agreement of SEBI, Banking Regulation Act, 1949 and RBI Master Circular on Statutory and Other Restrictions on advances to Bank's Directors and Executives. The guidelines issued by Reserve Bank of India, as mentioned in Annexure – I and Guidelines contained in our Scheme of Delegation of Lending Powers to Executives in respect of loans and advances to Directors and Executives as per Annexure – II and related party transactions (RPTs) as stated in the Companies Act, 2013 along with Clause 49 of the Listing Agreement of SEBI as per Annexure – III shall also be part of Bank's Internal policy on related party transactions (RPTs).

Annexure-I

Guidelines contained in RBI Master Circular No. DBOD. No.Dir.BC. 16/13.03.00/ 2014-15 July 1, 2014 on Statutory and Other Restrictions on advances to Bank's Directors and Executives

2.1.2 Advances to bank's Directors

2.1.2.1 Section 20(1) of the Banking Regulation Act, 1949 also lays down the restrictions on loans and advances to the directors and the firms in which they hold substantial interest.

2.1.2.2 Banks are prohibited from entering into any commitment for granting any loans or advances to or on behalf of any of its directors, or any firm in which any of its directors is interested as partner, manager, employee or guarantor, or any company [not being a subsidiary of the banking company or a company registered under Section 25 of the Companies Act, 1956 (as amended in Companies Act, 2013), or a Government company] of which, or the subsidiary or the holding company of which any of the directors of the bank is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or any individual in respect of whom any of its directors is a partner or guarantor.

2.1.2.3 There are certain exemptions in this regard. In terms of the explanation to the Section, 'loans or advances' shall not include any transaction which the Reserve Bank may specify by general or special order as not being a loan or advance for the purpose of this Section. While doing so the RBI shall, keep in view the nature of the transaction, the period within which, and the manner and circumstances in which, any amount due on account of the transaction is likely to be realized, the interest of the depositors and other relevant considerations.

2.1.2.4 If any question arises whether any transaction is a loan or advance for the purpose of this Section, it shall be referred to RBI, whose decision thereon shall be final. FAQs regarding applicability of Section 20 of BR Act, 1949 is given in Annex 5.

2.1.2.5 For the above purpose, the term 'loans and advances' shall not include the following:

(a) loans or advances against Government securities, life insurance policies or fixed deposit;

(b) loans or advances to the Agricultural Finance Corporation Ltd;

(c) such loans or advances as can be made by a banking company to any of its directors (who immediately prior to becoming a director, was an employee of the banking company) in his capacity as an employee of that banking company and on the same terms and conditions as would have been applicable to him as an employee of that banking company, if he had not become a director of the banking company. The banking company includes every bank to which the provisions of Section 20 of the Banking Regulation Act, 1949 apply;

(d) such loans or advances as are granted by the banking company to its Chairman and Chief Executive Officer, who was not an employee of the banking company immediately prior to his appointment as Chairman/ Managing Director/CEO, for the purpose of purchasing a car, personal computer, furniture or constructing/ acquiring a house for his personal use and festival advance, with the prior approval of the RBI and on such terms and conditions as may be stipulated by it;

(e) such loans or advances as are granted by a banking company to its whole-time director for the purpose of purchasing furniture, car, Personal Computer or constructing/acquiring house for personal use, festival advance with the prior approval of RBI and on such terms & conditions as may be stipulated by it;

(f) call loans made by banking companies to one another;

(g) facilities like bills purchased/discounted (whether documentary or clean and sight or usance and whether on D/A basis or D/P basis), purchase of cheques, other non-fund based facilities like acceptance/co- acceptance of bills, opening of L/Cs and issue of guarantees, purchase of debentures from third parties, etc.;

(h) line of credit/overdraft facility extended by settlement bankers to National Securities Clearing Corporation Ltd.(NSCCL) / Clearing Corporation of India Ltd. (CCIL) to facilitate smooth settlement; and

(i) a credit limit granted under credit card facility provided by a bank to its directors to the extent the credit limit so granted is determined by the bank by applying the same criteria as applied by it in the normal conduct of the credit card business.

Note: For obtaining the prior approval of the Reserve Bank as stipulated in clauses (d) and (e) on pre-page, the bank should make an application to the Department of Banking Operations and Development, Central Office, Mumbai.

2.1.2.6 Purchase of or discount of bills from directors and their concerns, which is in the nature of clean accommodation, is reckoned as 'loans and advances' for the purpose of Section 20 of the Banking Regulation Act, 1949.

2.1.2.7 As regards giving guarantees and opening of L/Cs on behalf of the bank's directors, it is pertinent to note that in the event of the principal debtor committing default in discharging his liability and the bank being called upon to honour its obligations under the guarantee or L/C, the relationship between the bank and the director could become one of the creditor and debtor. Further, it is possible for the directors to evade the provisions of Section 20 by borrowing from a third party against the guarantee given by the bank. Such transactions may defeat the very purpose of restrictions imposed under Section 20, if the bank does not take appropriate steps to ensure that the liabilities there under do not devolve on them.

2.1.2.8 In view of the above, while extending non-fund based facilities such as guarantees, L/Cs, acceptance on behalf of directors and the companies/firms in which the directors are interested; it should be ensured that:

(a) adequate and effective arrangements have been made to the satisfaction of the bank that the commitments would be met by the openers of L/Cs, or acceptors, or guarantors out of their own resources,

(b) the bank will not be called upon to grant any loan or advance to meet the liability consequent upon the invocation of guarantee, and

(c) no liability would devolve on the bank on account of L/Cs/ acceptances.

2.1.2.9 In case, such contingencies arise as at (b) & (c) above, the bank will be deemed to be a party to the violation of the provisions of Section 20 of the Banking Regulation Act, 1949.

2.1.2.10 Restrictions on Power to Remit Debts

Section 20A of the Banking Regulation Act, 1949 stipulates that notwithstanding anything to the contrary contained in Section 293 of the Companies Act, 1956 (as amended in Companies Act, 2013), a banking company shall not, except with the prior approval of the Reserve Bank, remit in whole or in part any debt due to it by -

(a) any of its directors, or

(b) any firm or company in which any of its directors is interested as director, partner, managing agent or guarantor, or

(c) any individual, if any of its directors is his partner or guarantor.

Any remission made in contravention of the provisions stated above shall be void and have no effect.

2.1.3 Restrictions on Holding Shares in Companies

2.1.3.1 In terms of Section 19(2) of the Banking Regulation Act, 1949, banks should not hold shares in any company except as provided in sub-section (1) whether as pledgee, mortgagee or absolute owner, of an amount exceeding 30 percent of the paid-up share capital of that company or 30 percent of its own paid-up share capital and reserves, whichever is less.

2.1.3.2 Further, in terms of Section 19(3) of the Banking Regulation Act, 1949, the banks should not hold shares whether as pledgee, mortgagee or absolute owner, in any company in the management of which any managing director or manager of the bank is in any manner concerned or interested.

2.1.3.3 Accordingly, while granting loans and advances against shares, statutory provisions contained in Sections 19(2) and 19(3) should be strictly observed.

2.1.4 Restrictions on Credit to Companies for Buy-back of their Securities

In terms of Section 77A (1) of the Companies Act, 1956 (as amended in Companies Act, 2013), companies are permitted to purchase their own shares or other specified securities out of their

free reserves, or

securities premium account, or

the proceeds of any shares or other specified securities, subject to compliance of various conditions specified in the Companies (Amendment) Act, 1999 (as amended in Companies Act, 2013). Therefore, banks should not provide loans to companies for buy-back of shares/securities.

2.2 Regulatory Restrictions

2.2.1 Granting loans and advances to relatives of Directors

Without prior approval of the Board or without the knowledge of the Board, no loans and advances should be granted to relatives of the bank's Chairman/Managing Director or other Directors, Directors (including Chairman/Managing Director) of other banks and their relatives, Directors of Scheduled Co-operative Banks and their relatives, Directors of Subsidiaries/Trustees of Mutual Funds/Venture Capital Funds set up by the financing banks or other banks, as per details given below.

2.2.1.1 Lending to directors and their relatives on reciprocal basis

There have been instances where certain banks have developed an informal understanding or mutual/reciprocal arrangement among themselves for extending credit facilities to each other's directors, their relatives, etc. By and large, they did not follow the usual procedures and norms in sanctioning credit limits to the borrowers, particularly those belonging to certain groups or directors, their relatives, etc. Facilities far in excess of the sanctioned limits and concessions were allowed in the course of operation of individual accounts of the parties. Although, there is no legal prohibition on a bank from giving credit facilities to a director of some other banks or his relatives, serious concern was expressed in Parliament that such *quid pro quo* arrangements are not considered to be ethical. The banks should, therefore, follow the guidelines indicated below in regard to grant of loans and advances and award of contracts to the relatives of their directors and directors of other banks and their relatives:

2.2.1.2 Unless sanctioned by the Board of Directors/Management Committee, banks should not grant loans and advances aggregating Rupees twenty five lakhs and above to -

- (a) directors (including the Chairman/Managing Director) of other banks *;
- (b) any firm in which any of the directors of other banks * is interested as a partner or guarantor; and
- (c) any company in which any of the directors of other banks * holds substantial interest or is interested as a director or as a guarantor.

2.2.1.3 The restrictions as contained in Section 20 of the Banking Regulation Act, 1949 would apply to grant of loans and advances to spouse and minor / dependent children of the Directors of banks. However, banks may grant loan or advance to or on behalf of spouses of their Directors in cases where the spouse has his / her own independent source of income arising out of his / her employment or profession and the facility so granted is based on standard procedures and norms for assessing the creditworthiness of the borrower. Such facility should be extended on commercial

terms. All credit proposals for Rupees twenty five lakhs and above should be sanctioned by the bank's Board of Directors / Management Committee of the Board. The proposals for less than Rupees twenty five lakhs may be sanctioned by the appropriate authority in banks in terms of the powers delegated to them.

2.2.1.4 Unless sanctioned by the Board of Directors/Management Committee, banks should also not grant loans and advances aggregating Rupees twenty five lakhs and above to -

(a) any relative other than spouse (spouse as specified in para 2.2.1.3 above) and minor / dependent children of their own Chairmen/Managing Directors or other Directors;

(b) any relative other than spouse (spouse as specified in para 2.2.1.3 above) and minor / dependent children of the Chairman/Managing Director or other directors of other banks *;

(c) any firm in which any of the relatives other than spouse (spouse as specified in para 2.2.1.3 above) and minor / dependent children as mentioned in (a) & (b) above is interested as a partner or guarantor; and

(d) any company in which any of the relatives other than spouse (spouse as specified in para 2.2.1.3 above) and minor / dependent children as mentioned in (a) & (b) above hold substantial interest or is interested as a director or as a guarantor.

(*including directors of Scheduled Co-operative Banks, directors of subsidiaries/trustees of mutual funds/venture capital funds.)

2.2.1.5 The proposals for credit facilities of an amount less than Rupees twenty five lakh to these borrowers may be sanctioned by the appropriate authority in the financing bank under powers vested in such authority, but the matter should be reported to the Board.

2.2.1.6 The Chairman/Managing Director or other director who is directly or indirectly concerned or interested in any proposal should disclose the nature of his/her interest

to the Board when any such proposal is discussed. He/she should not be present in the meeting unless his/her presence is required by the other directors for the purpose of eliciting information and the director so required to be present shall not vote on any such proposal.

2.2.1.7 The above norms relating to grant of loans and advances will equally apply to awarding of contracts.

2.2.1.8 The scope of the term 'relative' will be as under:

- Spouse
- Father
- Mother (including step-mother)
- Son (including step-son)
- Son's Wife
- Daughter (including step-daughter)
- Daughter's Husband
- Brother (including step-brother)
- Brother's wife
- Sister (including step-sister)
- Sister's husband
- Brother (including step-brother) of the spouse
- Sister (including step-sister) of the spouse

2.2.1.9 The term 'loans and advances' will not include loans or advances against -

- Government securities
- Life insurance policies
- Fixed or other deposits
- Stocks and shares
- Temporary overdrafts for small amounts, i.e. upto Rupees twenty five thousand -
- Casual purchase of cheques up to Rupees five thousand at a time
- Housing loans, car advances, etc. granted to an employee of the bank under any scheme applicable generally to employees.

2.2.1.10 The term 'substantial interest' shall have the same meaning as assigned to it in Section 5(ne) of the Banking Regulation Act, 1949.

2.2.1.11 Banks should evolve, inter alia, the following procedure for ascertaining the interest of a director of a financing bank or of another bank, or his relatives, in credit proposals/award of contracts placed before the Board/Committee or other appropriate authority of the financing banks:

(i) Every borrower should furnish a declaration to the bank to the effect that -

(a) (where the borrower is an individual) he is not a director or specified near relation of a director of a banking company;

(b) (where the borrower is a partnership firm) none of the partners is a director or specified near relation of a director of a banking company; and

(c) (where the borrower is a joint stock company) none of its directors, is a director or specified near relation of a director of a banking company.

(ii) The declaration should also give details of the relationship of the borrower to the director of the bank.

2.2.1.12 In order to ensure compliance with the instructions, banks should forthwith recall the loan when it transpires that the borrower has given a false declaration.

2.2.1.13 The above guidelines should also be followed while granting loans/ advances or awarding contracts to directors of scheduled co-operative banks or their relatives.

2.2.1.14 These guidelines should also be followed by banks when granting loans and advances and awarding of contracts to directors of subsidiaries/trustees of mutual funds/venture capital funds set up by them as also other banks.

2.2.1.15 These guidelines should be duly brought to the notice of all directors and also placed before the bank's Board of Directors.

2.2.2 Restrictions on Grant of Loans & Advances to Officers and Relatives of Senior Officers of Banks

2.2.2.1 The statutory regulations and/or the rules and conditions of service applicable to officers or employees of public sector banks indicate, to a certain extent, the precautions to be observed while sanctioning credit facilities to such officers and employees and their relatives. In addition, the following guidelines should be followed by all the banks with reference to the extension of credit facilities to officers and the relatives of senior officers:

(i) Loans & advances to officers of the bank

No officer or any Committee comprising, inter alia, an officer as member, shall, while exercising powers of sanction of any credit facility, sanction any credit facility to his/her relative. Such a facility shall ordinarily be sanctioned only by the next higher sanctioning authority. Credit facilities sanctioned to senior officers of the financing bank should be reported to the Board.

(ii) Loans and advances and award of contracts to relatives of senior officers of the bank

Proposals for credit facilities to the relatives of senior officers of the bank sanctioned by the appropriate authority should be reported to the Board. Further, when a credit facility is sanctioned by an authority, other than the Board to -

any firm in which any of the relatives of any senior officer of the financing bank holds substantial interest, or is interested as a partner or guarantor; or

any company in which any of the relatives of any senior officer of the financing bank holds substantial interest, or is interested as a director or as a guarantor, such transaction should also be reported to the Board.

2.2.2.2 The above norms relating to grant of credit facility will equally apply to the awarding of contracts.

2.2.2.3 Application of the Guidelines in case of Consortium Arrangements

In the case of consortium arrangements, the above norms relating to grant of credit facilities to relatives of senior officers of the bank will apply to the relatives of senior officers of all the participating banks.

2.2.2.4 Scope of certain expressions

(i) The scope of the term 'relative' is the same as mentioned at paragraph 2.2.1.8.

(ii) The term 'Senior Officer' will refer to -

a) any officer in senior management level in Grade IV and above in a nationalized bank, and

b) any officer in equivalent scale

in the State Bank of India and associate banks, and

in any banking company incorporated in India.

(iii) The term 'credit facility' will not include loans or advances against -

a. Government securities

b. Life Insurance policies Fixed or other deposits

c. Temporary overdrafts for small amount i.e. upto Rupees twenty five thousand, and

d. Casual purchase of cheques up to Rupees five thousand at a time.

e. Credit facility will also not include loans and advances such as housing loans, car advances, consumption loans, etc. granted to an officer of the bank under any scheme applicable generally to officers.

f. The term 'substantial interest' shall have the same meaning assigned to it in Section 5(ne) of the Banking Regulation Act, 1949.

2.2.2.5 In this context, banks may, inter alia,

(i) evolve a procedure to ascertain the interest of the relatives of a senior officer of the bank in any credit proposal/award of contract placed before the Board Committee or other appropriate authority of the financing bank;

(ii) obtain a declaration from every borrower to the effect that -

(a) if he is an individual, that he is not a specified, near relation to any senior officer of the bank,

(b) if it is a partnership or HUF firm, that none of the partners, or none of the members of the HUF, is a near, specified relation of any senior officer of the bank, and

(c) if it is a joint stock company, that none of its directors, is a relative of any senior officer of the bank.

(iii) ensure that the declaration gives details of the relationship, if any, of the borrower to any senior officer of the financing bank.

(iv) make a condition for the grant of any credit facility that if the declaration made by a borrower with reference to the above is found to be false, then the bank will be entitled to revoke and/or recall the credit facility.

(v) consider in consultation with their legal advisers, amendments, if any, required to any applicable regulations or rules, *inter alia*, dealing with the service conditions of officers of the bank to give effect to these guidelines.

Annexure-II

Guidelines contained in our Scheme of Delegation of Lending Powers to Executives in respect of loans and advances to Directors and Executives

Para. 5. Advances to an Executive of the Bank in the Scales IV & above (other than staff advances under schemes applicable generally to all such officers), or to any relative of an Executive or to any borrower in which any Executive or his/her relative is interested, should be sanctioned only at the level of GM or above at AO and should be reported to the Board thereafter.

Para.12. Exercise of Lending Powers for borrowers in whom the Directors of our Bank/ Directors of other banks are interested:

- a. Proposals for loans & advances amounting in aggregate facilities (FB & NFB credit limits) to Rs.25.00 lacs & above to borrowers where relatives of the Chairman or relatives of Directors of our Bank are interested or where the Chairman or the Directors of other banks or any of their relatives are interested, should be placed before the Board for consideration. The power to sanction such loans & advances are not delegated and will rest solely with the Board.
- b. Loans & advances to the extent of aggregate facilities (FB & NFB credit limits) below Rs.25.00 lacs to borrowers where relatives of the Chairman or relatives of Directors of our Bank are interested or where the Chairman or the Directors of other banks or any of their relatives are interested should be sanctioned only at the level of GM or above and should be reported to the Board thereafter.
- c. The term "loans & advances" for the above purpose will not include loans or advances against: (i) Govt. securities (ii) life insurance policies (iii) fixed or other deposits (iv) stocks & shares (v) temporary overdraft for small amount, i.e. up to Rs.25,000/- (vi) casual purchase of cheques up to Rs.5,000/- at a

time & (vii) housing loans, car advances, etc. granted to an employee of the Bank under any scheme applicable generally to employees.

- d. The scope of the term "relative" for the above purpose will cover spouse, father, mother including step-mother, son including step-son, son's wife, daughter including step-daughter, daughter's husband, brother including step-brother, brother's wife, sister including step sister, sister's husband, brother including step-brother of the spouse and sister including step-sister of the spouse.

Para. 13. Loans & advances to the Chairman or the Directors of our Bank:

Granting of loans & advances to the Chairman or the Directors of our Bank or to any firm/company in which any of them is a partner or guarantor or in which they are holding substantial interest is prohibited under Section 20 of the Banking Regulation Act 1949.

However, credit facilities like bills purchased/discounted (whether documentary or clean & sight or usance and whether on DA basis or DP basis), purchase of cheques, other non-fund based facilities like acceptance/co-acceptance of bills, opening of letters of credit & issue of guarantees, purchase of debentures from third parties, etc. are not regarded as loans & advances within the meaning of Section 20 of the Act.

However, purchase or discount of bills from directors & their concerns which is in the nature of clean accommodation, viz. supply bills, UBD, LBD, etc. are to be reckoned as loans & advances. In respect of NFB limits like guarantees & LCs on behalf of Directors and the firms/ companies in which the Director is interested, it should be ensured that (i) adequate & effective arrangements have been made to the satisfaction of the Bank that the commitments would be met by the openers of the LCs/LGs out of their own resources (ii) the Bank will not be called upon to grant any loan or advance to meet the liabilities consequent upon the invocation of the guarantee and (iii) no liability would devolve on the Bank on account of Letters of Credits/acceptances. In case contingencies as at (ii) & (iii)

arise, the Bank will be deemed to be a party to the evasion of provisions under Section 20 of the Act.

The term "substantial interest" (i) in relation to a company, means the holding of a beneficial interest by an individual or his spouse or minor child, whether singly or taken together, in the shares thereof, the amount paid up on which exceeds Rs.5 lakhs or 10% of the paid up capital of the company, whichever is less; (ii) in relation to a firm, means the beneficial interest held therein by an individual or his spouse or minor child, whether singly or taken together, which represents more than 10% of the total capital subscribed by all the partners of the said firm. All credit proposals of the nature mentioned above should be referred for consideration at the level of GM (presently, Credit Committee-II) or above at CO.

Para. 14. Details of all sanctions accorded in terms of 12 (a), 12 (b) & 13 above should be informed to the Secretarial Department at CO for the purpose of record.

Annexure-III

RELATED PARTY TRANSACTION AS STATED IN THE COMPANIES ACT, 2013 & AS PER CLAUSE 49 OF THE LISTING AGREEMENT

I. As per Companies Act, 2013:

188. (1) Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no company shall enter into any contract or arrangement 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 company, its subsidiary company or associate company; and
- (g) Underwriting the subscription of any securities or derivatives thereof, of the company:

Provided that no contract or arrangement, in the case of a company having a paid-up share capital of not less than such amount, or transactions not exceeding such sums, as may be prescribed (separate annexure is attached), shall be entered into except with the prior approval of the company by a special resolution:

Provided further that no member of the company shall vote on such special resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party:

Provided also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis.

Explanation — in this sub-section,

(a) the expression “office or place of profit” means any office or place—

(i) where such office or place is held by a director, if the director holding it receives from the company 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 company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(b) 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.

(2) Every contract or arrangement entered into under sub-section (1) shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

(3) 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 special resolution in the general meeting under sub-section (1) 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 and if the contract or

arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

(4) Without prejudice to anything contained in sub-section (3), it shall be open to the company 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.

(5) Any director or any other employee of a company, who had entered into or authorized the contract or arrangement in violation of the provisions of this section shall,

(i) in case of listed company, be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both; and

(ii) in case of any other company, be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakhs.

Provision to Section 188 (1) as provided in Rule 15 of “The Companies (Meetings of Board and its Powers) Rules, 2014

For the purposes of first proviso to sub-section (1) of section 188, except with the prior approval of the company by a special resolution, a company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into-

(a) as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188 with criteria, as mentioned below –

(i) sale, purchase or supply of any goods or materials directly or through appointment of agent, exceeding ten percent. of the turnover of the company

or rupees one hundred crore, whichever is lower, as mentioned in clause (a) and clause (e) respectively of sub-section (i) of section 188.

(ii) selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents exceeding ten percent. of net worth of the company or rupees one hundred crore, whichever is lower as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;

(iii) leasing of property of any kind exceeding ten percent. of the net worth or ten per cent of turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (c) of sub-section (1) of section 188;

(iv) availing or rendering of any services, directly or through appointment of agent exceeding ten percent. of the turnover of the company or rupees fifty crore, whichever is lower, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188;

Explanation – It is hereby clarified that the limits specified in sub-clauses (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

(b) is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188; or

(c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent. of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation.- (1) The Turnover or Net Worth referred in the above sub-rules shall be computed on the basis of the Audited Financial Statement of the preceding Financial year.

(2) In case of wholly owned subsidiary, the special resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and the holding company.

(3) The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars namely:-

- (a) name of the related party ;
- (b) name of the director or key managerial personnel who is related, if any;
- (c) nature of relationship;
- (d) nature, material terms, monetary value and particulars of the contract or arrangement;
- (e) any other information relevant or important for the members to take a decision the proposed resolution.

II. As per Clause 49 of the Listing Agreement.

A. *A related party "transaction" is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.*

Explanation: A "transaction" shall be construed to include single transaction or a group of transactions in a contract

B. For the purpose of Clause 49 (VII), an entity shall be considered as related to the Company if:

(i) Such entity is a related party under Section 2(76) of the Companies Act, 2013; or

(ii) Such entity is a related party under the applicable accounting standards.

C. The company shall formulate a policy on materiality of related party transactions and also on dealing with Related Party Transactions.

Provided that a transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

D. All Related Party Transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- c. Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) 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;

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

d. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.

e. Such omnibus approvals shall be valid for a period not exceeding one year and

shall require fresh approvals after the expiry of one year,

E. All material Related Party Transactions shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions.

Provided that sub-clause 49 (VII) (D) and (E) shall not be applicable in the following cases:

- i) Transactions entered into between two government companies;
- ii) Transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Explanation (i): For the purpose of Clause 49(VII), "Government Company" shall have the same meaning as defined in Section 2(45) of the Companies Act, 2013."

Explanation(ii):For the purpose of Clause 49(VII), all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not."

Disclosures

1. Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
2. The company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.
