Policy on Related Party Transactions for FY 2023-2024

Division : Share Department (Board & Coordination Division)

Version : 01/2023

Policy Custodian

Division	Share Department (Board & Coordination Division)
Officer in-charge	Company Secretary
Policy Contact	hosd@pnb.co.in

Policy Version Control

S. No.	Version Number	Version Date	Summary of changes
1	01/2020	14.02.2020	Inclusion of: i. Clause relating to Definitions in the Policy and Secrecy Provisions in the Policy.
2	01/2021	30.03.2021	Amendment in the definition of Key Management Personnel (KMP) and Modification in Annexure B.1 and Annexure B.2 of the Policy
3	01/2022	29.03.2022	i. Amendment in the definition of Related Party ii. Amendment in the definition of Related Party Transactions iii. Amendment in Clause 6 relating to dealing with Related Party Transactions. iv. Amendment in Clause 8 relating to Material Related Party Transactions. v. Amendment in Clause 9 relating to Review and Approval of Related Party Transactions vi. Amendment in Clauses relating to Disclosures

4	01/2023	28.02.2023	The format of Related Party Disclosures (Annexure A.3 of the Policy) has been aligned with the RBI's 'Master Direction on Financial Statements - Presentation and Disclosures' dated 30.08.2021 (updated as on 13.12.2022)

Policy Governance

Frequency Of Review	Annual
Last reviewed on	29.03.2022
Approval Path	ACE→ACB→BOARD
Supersedes	Policy dated 29.03.2022

Contents

1. Policy Overview 5
2. Policy Details 5
2.1 Objective 5
2.2 Scope and Applicability 5
2.3 Policy contents 5
2.4 Authority for Operational Guidelines 19
2.5 Disclosure of the Policy 19
2.6 Ownership of the Policy 19
2.7 Validity and Review of the Policy 19
2.8 Reporting System 20
2.9 Authority to allow deviations 20
2.10 Policy Exclusions 20

Appendix…….
A. Glossary 21
B. List of references. 21

Annexures……...

Annexure-A.1 Format of declaration to be given by Related Party(ies) 22
Annexure-A.1(1) List of Relatives 24
Annexure-A.2 Format of Information on Related Party Transactions 25
Annexure-A.3 Format for Related Party Disclosures 27
Annexure-B Format for disclosure of Related party transactions every six months 29

1. Policy Overview

1.1. Punjab National Bank, being a listed entity, is required to comply with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [*hereinafter referred to as SEBI (LODR) Regulations*] and Guidelines issued by the Securities Exchange Board of India (SEBI) from time to time, in this regard.

1.2. In terms of Regulation 23 (1) of SEBI (LODR) Regulations, it is mandatory for all the listed entities to formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the Board of Directors and such policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly.

1.3. In compliance of the aforesaid Regulations, the Bank has formulated the 'Policy on Related Party Transactions'.

2. Policy Details

2.1. Objective:

The objective of the Policy is to determine the materiality of Related Party Transactions and the dealing with related party transactions and is intended to ensure proper approval and reporting of transactions between the Bank and its Related Parties in compliance of the requirements of laws/regulations applicable to the Bank.

2.2. Scope and Applicability:

The Policy shall be applicable to all Related Party Transactions entered with:

(a) Board of Directors and their Relatives;
(b) Key Managerial Personnel (KMP) of the Bank and their Relatives; and
(c) Related Parties, as defined hereinafter.

2.3. Policy Contents:

2.3.1. Definitions:

i. "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.

ii. "Associate Company" means a company in which the Bank has a significant influence, but, which is not a subsidiary company of the Bank and includes a joint venture of the Bank.

Explanation - *"significant influence" means control of at least twenty percent of total share capital, or of business decisions under an agreement.*

iii. "Audit Committee or Committee" means the Audit Committee of the Board of Directors of the Bank constituted pursuant to the directives of the Reserve Bank of India.

iv. "Board" means the Board of Directors of the Bank constituted in terms of section 9(3) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, as amended from time to time.

v. "Control" means the right or the ability to appoint majority of the Directors or to control the Management or Policy decisions of the target company, 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.

vi. "Joint Venture" means a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

vii. "Key Managerial Personnel" means:
   a) the Managing Director & Chief Executive Officer
   b) Executive Directors(s);
   c) Chief Financial Officer; and
   d) Company Secretary.

viii. "Material Related Party Transaction" means:

   a) 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 (i.e. Annual Consolidated Total Income) of the Bank as per the last Audited Financial Statements of the Bank, whichever is lower.

   b) 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 5% of the Annual Consolidated Turnover (i.e. Annual Consolidated Total Income) of the Bank as per the last Audited Financial Statements of the Bank."

ix. "Office or place of profit" means any office or place-

a) where such office or place is held by a Director, if the Director holding it receives from the Bank anything by way of remuneration over and above the remuneration to which he is entitled to as Director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
b) 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 Bank anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise

x. ''Relative'': A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, as defined under Section 2(77) of the Companies Act read with Rule 4 of Companies (Specification of definitions details) Rules, 2014.

a) Members of a Hindu Undivided Family (HUF)
b) Spouse
c) Father: Provided that the term "Father" includes step-father.
d) Mother: Provided that the term "Mother" includes the step-mother.
e) Son: Provided that the term "Son" includes the step-son.
f) Son's wife
g) Daughter
h) Daughter's husband
i) Brother: Provided that the term "Brother" includes the step-brother.
j) Sister: Provided that the term "Sister" includes the step-sister.

xi. Related Party: In terms of Regulation 2(1)(zb) of the SEBI (LODR) Regulations, an entity shall be considered as related party if:

a) such entity is a related party as defined under Section 2(76) of the Companies Act 2013*; or
b) such entity is a related party under the applicable accounting standards.

Provided that:

a) *any person or entity forming a part of the promoter or promoter group of the Bank; or*

b) any person or any entity, holding equity shares:

1. *of twenty per cent or more; or*

2. *of ten per cent or more, <u>with effect from April 1, 2023</u>*

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 immediate preceding financial year; shall be deemed to be a related party.

**Definition of Related Party under Section 2(76) of the Companies Act, 2013:* A related party with reference to a company, means—

1. a director or his relative;
2. a key managerial personnel or his relative;
3. a firm, in which a director, manager or his relative is a partner;
4. a private company in which a director or manager or his relative is a member or director;
5. 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;
6. 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;
7. any person on whose advice, directions or instructions a director or manager^ is accustomed to act:

   Provided that nothing in sub-clauses (*6*) and (*7*) shall apply to the advice, directions or instructions given in a professional capacity;

   ^ *In terms of Section 2(53) manager means an individual who, subject to the superintendence, control and direction of the Board of Directors, has the management of the whole, or substantially the whole, of the affairs of a company, and includes a director or any other person occupying the position of a manager, by whatever name called, whether under a contract of service or not.*
8. 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;"

Explanation - For the purpose of above*, "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.*

9. such other person as may be prescribed;"

xii. "Related Party Transactions" In terms of Regulation 2(1)(zc) of the SEBI (LODR) Regulations, "related party transaction" means a transaction involving a transfer of resources, services or obligations between:

(a) the 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
(b) the 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, *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 by the Bank 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 SEBI.

xiii. Subsidiary company" means a company in which the Bank controls the composition of Board of Directors; or exercises or controls more than one half of the total share capital either on its own or together with one or more or its subsidiary companies.

In terms of Regulation 16(1)(c) of SEBI (LODR) Regulations, a "**Material subsidiary"** shall mean a subsidiary, whose income or net worth exceeds ten per cent of the consolidated income or net worth respectively, of the Bank and its subsidiaries in the immediately preceding accounting year.

2.3.2. Process for ascertaining related party:

(i) The following details shall be required for ascertaining a related party:

a. Declaration/Disclosure of interest by all the Directors, KMPs and their Relatives in the prescribed forms. (Annexure A.1 & A.2) including:
   1. Disclosure of a firm(s) in which a Director/ KMP or his relative is a partner.
   2. Disclosure of Private Company(ies) in which a Director or KMP is a member or director.
b. Declaration of relatives by all Directors and KMPs. [Annexure A.1(1)]
c. Disclosure of Public Company(ies) in which a Director or KMP is a Director and holds along with the relatives more than 2% of the paid-up share capital of such Company.
d. Notice from Director(s) of any change in particulars of Directorship or in other positions held by them during the year.
e. Declaration by Holding Company regarding its Directors/KMPs and their relatives.
f. Details of 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 KMP of the Bank.
g. Details of any person on whose advice, directions or instructions a Director or a KMP is accustomed to act.
   Provided that disclosures requirements as per the points (f) and (g) shall not apply to the advice, directions or instructions given in a professional capacity.
h. Details of any Company which is
   1. a holding, subsidiary or an associate company of the Bank; or
   2. a subsidiary of a holding company to which it is also a subsidiary
i. Details of any person or entity forming a part of the Promoter / Promoter Group
j. Details of any person or any entity, holding equity shares of ten per cent 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 immediate preceding financial year.

(ii) The Share Department, Board and Coordination Division shall prepare a report of Related Party Transactions on the basis of the information collected from the Related Parties/Concerned Divisions on quarterly basis.

(iii) Internal Auditors/Statutory Auditor shall verify the process of ascertaining the Related Party Transaction(s) and their correct recording/listing etc. as well as their classification regarding whether they are on arm's length basis.

2.3.3. Type of Transactions covered

(i) All transactions covered under the definition of Related Party Transactions in terms of Regulation 2(1)(zc) of SEBI (LODR) Regulations [Para 2.3.1(xii) of the Policy] including transactions involving payments with respect to brand usage or royalty.

(ii) Under Accounting Standard 18, all transactions involving transfer of resources or obligations between related parties, regardless of whether or not a price is charged shall be covered. To name a few:
   a) Purchases or sales of goods;
   b) Purchases or sales of fixed assets;
   c) Rendering or receiving of services;
   d) Agency arrangements;
   e) Leasing or hire purchase arrangements
   f) Transfer of research and development.
   g) License agreements.
   h) Finance (including loans and equity contributions in cash or in kind).
   i) Guarantees and collaterals.
   j) Management contracts including for deputation of employees.

(iii) Transactions as included in Reserve Bank of India Master Direction No. DOR.ACC.REC.No.45/21.04.018/2021-22 dated 30.08.2021 (updated as on 13.12.2022) on Financial Statements – Presentation and Disclosures. The illustrative disclosure format as suggested by the RBI is given as Annexure A.3.

(iv) In addition to the above, the following transactions are also covered under Related Party Transactions in terms of the provisions of the Companies Act 2013:

   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, etc.
   f) Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company;
   g) Underwriting the subscription of any securities or derivatives thereof, of the company.

2.3.4. Dealing with Related Party Transactions

(i) All Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee of the Board in accordance with this Policy.

(ii) Only those members of the Audit Committee of the Board, who are Independent Directors, shall approve Related Party Transactions.

(iii) A modification to a Related Party Transaction shall be considered as 'material' if:

a) Such modification results in financial impact in excess of 3% of the Annual Operating Profit as per the latest Audited Financial Statements of the Bank.

or

b) In the opinion of the concerned Competent Authority such modification results in significant change in the terms & conditions of the existing Contract / Agreement/ Arrangement such as change in the tenure of the transaction, interest rate/repayment schedule, nature of security, waiver/relief to the party, addition/deletion of parties to the transaction, etc.

(iv) A related party transaction to which the subsidiary of the Bank is a party but the Bank is not a party, shall require prior approval of the Audit Committee of the Bank 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 (i.e. Annual Consolidated Total Income), as per the last audited financial statements of the Bank;

(v) With effect from April 1, 2023, a related party transaction to which the subsidiary of the Bank is a party but the Bank is not a party, shall require prior approval of the Audit Committee of the Bank 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 *annual standalone turnover*, as per the last audited financial statements of the subsidiary;

(vi) Prior approval of the Audit Committee of the Bank shall not be required for a related party transaction to which the listed subsidiary of the Bank is a party but the Bank is not a party, if Regulation 23 and Regulation 15(2) of SEBI (LODR) Regulations, are applicable to such listed subsidiary

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to above, the prior approval of the Audit Committee of the listed subsidiary shall suffice.

2.3.5. Omnibus Approval

(i) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy on Related Party Transactions of the Bank and such approval shall be applicable in respect of transactions which are repetitive in nature.

(ii) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Bank.

(iii) Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that shall 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.1.00 Crore per transaction.

(iv) The Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Bank pursuant to each of the omnibus approval given.

(v) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

2.3.6. Identification of Potential Related Party Transactions

(i) Notice of any potential Related Party Transaction shall be given well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

(ii) In case of any potential Related Party Transaction (other than transactions in respect of which omnibus approval has been accorded), involving Director/Key Managerial Personnel or his/her Relative, it shall be the responsibility of such Director/Key Managerial Personnel to provide notice of the same and also to provide any additional information about the transaction that the Board or Audit Committee may seek.

(iii) The Audit Committee of Board will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

2.3.7. Material Related Party Transactions

(i) All material related party transactions [as defined in Para 2.3.1(viii)] and subsequent material modifications [as mentioned in Para 2.3.4(iii)] shall require prior approval of the shareholders through resolution and no Related Party shall vote to approve such resolutions whether the entity is a Related Party to the particular transaction or not.

(ii) Prior approval of the shareholders of the Bank shall not be required for a Related Party Transaction to which the listed subsidiary is a party but the Bank is not a party, if Regulation 23 and 15(2) of SEBI (LODR) Regulations, are applicable to such listed subsidiary.

Explanation: For Related Party Transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

Provided further that the requirements specified under this Para shall not apply in respect of a resolution plan approved under section 31 of The Insolvency and Bankruptcy Code, 2016, subject to the event being disclosed to the recognized Stock Exchanges within one day of the resolution plan being approved.

2.3.8. Review and Approval of Related Party Transactions

I. Approval of the Audit Committee of the Board

(i) Upon receipt of notice of potential Related Party Transaction, the same will be referred to the next regularly scheduled meeting of Audit Committee, for review and approval.

(ii) To review, modify or approve a Related Party Transaction, the Audit Committee shall be provided with the following information:

a) Type, material terms and particulars of the proposed transaction;
b) Name of the related party and its relationship with the Bank or its subsidiary, including nature of its concern or interest (financial or otherwise);
c) Tenure of the proposed transaction (particular tenure shall be specified);

d) Value of the proposed transaction;

e) The percentage of the Bank's annual consolidated turnover (i.e. annual consolidated total income), for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);

f) If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Bank or its subsidiary:

   1. details of the source of funds in connection with the proposed transaction;
   2. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
      - nature of indebtedness;
      - cost of funds; and
      - tenure.
   3. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
   4. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.

g) Justification as to why the RPT is in the interest of the Bank;

h) A copy of the valuation or other external party report, if any such report has been relied upon.

i) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;

j) Any other information that may be relevant.

(iii) The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

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

(v) In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

a) Whether the terms of the Related Party Transaction are fair and on "arm's length" basis to the Bank and would apply on the same basis if the transaction did not involve a Related Party;
b) Whether there are any compelling business reasons for the Bank to enter into the Related Party Transaction and the nature of alternative transactions, if any;
c) Whether the Related Party Transaction would affect the independence of an Independent Director;
d) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
e) Whether the Bank was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification if allowed, would be detrimental to the Bank; and
f) Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Bank, taking into account the size of the transaction, the overall financial position of the Director, or other Related Party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the on-going nature of any proposed relationship and any other factors the Board/Committee deems relevant.

(vi) If the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board decides to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

(vii) In terms of Regulation 4 sub clause 2(f) (ii) (6) of the SEBI (LODR) Regulations, the Board of Directors shall monitor and manage potential conflicts of interest of the management, Board members and shareholders, including misuse of corporate assets and abuse in Related Party Transactions.

II. Review and Approval by Shareholders

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the

Companies Act, 2013, include the following information as a part of the explanatory statement.

a) A summary of the information provided by the management of the Bank to the Audit Committee as specified in Para 2.3.8(I)(ii) above;
b) Justification for why the proposed transaction is in the interest of the Bank;
c) Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Bank or its subsidiary, the details specified under point I(f) above; (The requirement of disclosing source of funds and cost of funds shall not be applicable to the Banks/NBFCs.)
d) A statement that the valuation or other external report, if any, relied upon by the Bank in relation to the proposed transaction will be made available through the registered email address of the shareholders;
e) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
f) Any other information that may be relevant.

III. Notwithstanding the foregoing, any transaction that involves providing of compensation to a Director or Key Managerial Personnel in connection with his or her duties to the Bank or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business, shall not require approval of Audit Committee or Shareholders.

IV. As per the SEBI (LODR) Regulations, prior approvals shall not be required in the following cases.

(i) Transactions entered into between two Government Companies.
(ii) Transactions entered into between the Bank and its wholly owned subsidiary whose accounts are consolidated with the Bank and are placed before the shareholders at the General Meeting for approval.
(iii) transactions entered into between two wholly-owned subsidiaries of the Bank, whose accounts are consolidated with the Bank and placed before the shareholders at the general meeting for approval.

Explanation: For the purpose of this clause "Government Company" shall have the same meaning as defined in Section 2(45) of the Companies Act 2013.

Accordingly, the transactions entered into by the Bank with the wholly owned subsidiaries are exempt from seeking prior approval of Audit Committee of Board/Shareholders.

2.3.9. Related Party Transactions without the prior approval under this Policy

(i) In the event the Bank becomes aware of a Related Party Transaction that has not been approved under this Policy, the matter shall be reviewed by the Audit Committee of Board. The Committee shall consider all the relevant facts and circumstances regarding the Related Party Transaction and shall evaluate all options available, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

(ii) In case the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction.

(iii) In connection with any review of a Related Party Transaction, the Audit Committee shall have the final authority to modify or waive any procedure requirements of this Policy.

2.3.10. Procedure for seeking approval

(i) As and when any transaction is contemplated with any Related Party, the concerned Division at Head office shall seek approval of the ACB and intimate Shares Department, Board & Coordination Division for seeking approval of shareholders, if required.

(ii) The decision of the approving authority shall subsequently be conveyed to the concerned Office/Division.

2.3.11. Secrecy Provisions

(i) In terms of Paragraph 5 of Accounting Standard 18, the disclosure requirements do not apply in circumstances when providing such disclosures would conflict with the reporting enterprise's duties of confidentiality as specifically required in terms of statute, by regulator or similar competent authority.

(ii) In terms of Paragraph 6 of Accounting Standard 18, in case a statute or the RBI or SEBI prohibits the Banks from disclosing certain information which is required to be disclosed, non-disclosure of such information would not be deemed as non-compliance with the requirements of Accounting Standard 18.

(iii) It is clear from the above that on account of the judicially recognized common law duty of the banks to maintain the confidentiality of the customer details, they need not make such disclosures.

(iv) In view of the above, where the disclosures under the Accounting Standards are not aggregated disclosures in respect of any category of related party i.e., where there is only one entity in any category of related party, the bank need not disclose any details pertaining to that related party other than the relationship with that related party.

2.3.12. Records relating to Related Party / Supporting documents

All disclosures, agreements, supporting documents shall be preserved for a period of eight years from the end of the financial year to which it relates and shall be kept in the custody of the concerned Division or any other person authorized by the Board for the purpose.

2.4. Authority for Operational Guidelines:

The Policy does not contain any operational guidelines. As such, this clause is not applicable.

2.5. Disclosure of the Policy:

The Bank shall disclose the Policy on Related Party Transactions on its website and a web-link thereto shall be provided in the Annual Report.

2.6. Ownership of the Policy:

The Share Department (Board & Coordination Division) shall be responsible for formulating/ reviewing/ periodic updation of the Policy.

2.7. Validity and Review of the Policy:

2.7.1. The Policy shall be effective for FY 2023-24 and shall be subject to annual review.

2.7.2. Further, the Audit Committee of Executives (ACE) shall be authorised to:

(i) incorporate any changes necessitated in the Policy for the interim period up to the next review, due to regulatory pronouncements made during the validity period of the Policy; and
(ii) extend validity of the Policy for a period up to three (3) months, however such extension of validity of the Policy shall be subject to ratification by the Board.

2.8. Reporting System:

2.8.1. The Bank shall record the details containing the full particulars of contracts or arrangements in respect of all RPTs approved by the Audit Committee.

2.8.2. Necessary disclosures shall be made in the Annual Financial Statements as required under AS 18 and RBI Guidelines. Further, as required under Regulation 34(3) read with Schedule V- Para 10 of SEBI (LODR) Regulations, necessary details of all materially significant Related Party Transactions, which may have potential conflict with the interests of the Bank at large, shall also be disclosed in the 'Report on Corporate Governance' forming part of the Annual Report of the Bank.

2.8.3. The Bank shall submit to the Stock Exchanges, disclosures of related party transactions in the format as specified by SEBI from time to time along with its Standalone Financial Results for the half year and publish the same on its website. The format as prescribed by SEBI is enclosed as Annexure B.

2.8.4. Disclosure with respect to all material transactions with Related Parties shall be made in the quarterly Compliance Report on Corporate Governance submitted to Stock Exchanges.

2.9. Authority to allow deviations

The Board of Directors of the Bank shall be the Competent Authority to allow any deviation (other than regulatory guidelines) from this Policy.

2.10. Policy Exclusions

Not Applicable.

Appendix

A. Glossary: Not Applicable

B. List of references

i. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended upto 17.01.2023.

ii. SEBI Circular No.SEBI/HO/CFD/CMD1/CIR/P/2021/662 dated November 22, 2021 regarding 'Disclosure obligations of listed entities in relation to Related Party Transactions'.

iii. SEBI Circular No. SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/0000000006 dated January 07, 2022 regarding 'Disclosure obligations of listed entities in relation to Related Party Transactions.'

iv. Reserve Bank of India Master Direction No. DOR.ACC.REC. No.45/21.04.018/2021-22 dated 30.08.2021 (updated as on 13.12.2022) on Financial Statements – Presentation and Disclosures.

Annexure – A.1

[Refer Para 2.3.2(i)(a) of the Policy]

Format of declaration to be given by Related Party(ies)

I _____son/daughter/spouse of _____ resident of _____ being a Director/Key Managerial Personnel (KMP)/Relative of KMP or Director /Related Party of the Bank hereby give notice of my interest in the following company or companies, bodies corporate, firms or other association of individuals/transactions: -

1	Name of the Companies/Body Corporate/Firms/Association of Individuals*	
2	The name of the Related Party and nature of relationship.	
3	The nature, duration of the contract and particulars of the contract or arrangement	
4	Nature of interest**/ transaction(s)	
5	Material terms of the contract or arrangement including the value, if any	
6	Any advance paid or received for the contract or arrangement, if any	
7	Manner of determining the pricing and other commercial terms both included as part of contract and not considered as part of the contract	
8	Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors	
9	Whether arm's length transaction	
10	Whether as per approved Scheme of the Bank	
11	Any other information relevant or important for the ACB/Board to take a decision on the proposed transaction.	

**Including public companies, private companies, foreign companies, partnership firms, limited liability partnership, trusts, association of individuals, society etc.*

***includes interest of Director / KMP of the Bank or their Relative:*

(i) As a Director, Chairman, Managing Director, Chief Executive Officer, Manager, Promoter, Member, Partner, Trustee, Owner, etc. of above-mentioned entities.

(ii) By way of holding shares in a private company. and,

(iii) By way of holding more than two per cent shares of other companies/body corporate.

Note: Supporting Documents to be enclosed in respect of which disclosures are being made.

Place: **Signature:**

Date: **Name:**

Annexure –A.1 (1)

[Refer Para 2.3.2(i)(b) of the Policy]

List of Relatives

Sr. No.	Relation	Name	Firms / LLP wherein Partner	Name of Companies (along with % of Shareholding)
1.	Father (including step-father)			
2.	Mother (including step-mother)			
3.	Spouse			
4.	Son (including step-son)			
5.	Son's wife			
6.	Daughter			
7.	Daughter's husband			
8.	Brother (including step-brother)			
9.	Sister (including step-sister)			
10.	If the Director is a member of HUF, then other members of such HUF			

Place: **Signature:**
Date: **Name:**

Annexure –A.2

[Refer Para 2.3.2(i)(a) of the Policy]

Format of Information on Related Party Transactions

Name of the Related Party :

Relationship with Director/KMP/Bank :

Nature & volume of Transaction during the quarter:

A) Transactions of routine and repetitive nature

Nature of Transactions	**Amount of Transaction Entered during the quarter**
▪ Deposits (made during the quarter)	
▪ Interest received /due (to be reported only if the rate charged is different from the card rate/rate approved by the Board / Sub-Committee of Board/ Competent Authority of the Bank)	
▪ Advances (availed during the quarter)	
▪ Interest paid/accrued (to be reported only if the rate charged is different from the card rate/rate approved by the Board / Sub-Committee of Board/ Competent Authority of the Bank)	
▪ Other services/contracts**	
Whether at staff rate	
Special concessions, if any	
Whether at arm's length	

B) Transactions not covered under (A) and up to a monetary limit of Rs.1 Crore per transaction

Nature of Transactions	Amount of Transaction entered during the quarter
Special concessions, if any	
Whether at arm's length	

C) Material Transactions / Other Transactions

Nature of Transactions	Amount of Transaction entered during the quarter

**e.g. Lockers, lease agreements, service contracts, etc.

Note: In case of relatives/others related to the KMPs/Directors separate sheets may be attached

I/We hereby confirm that the transactions entered into by me/us/my relatives with the Bank were at arms' length and no special benefits have accrued to me/us/relatives.

I/We also confirm that all transactions which are in the purview of the Related Party Transaction have been reported by me.

Place: **Signature:**
Date: **Name:**

Annexure – A.3

[Refer Para 2.3.3(iii) of the Policy]

Format for Related Party Disclosures

The manner of disclosures required by paragraphs 23 to 26 of AS 18 is illustrated below. It may be noted that the format is merely illustrative in nature and is not exhaustive.

(Amount in ₹ Crore)

Items/Related Party	Parent (as per ownership or control)	Subsidiaries	Associates/ Joint Ventures	KMP@	Relatives of KMP	Total
Borrowings#						
Deposit#						
Placement of deposits#						
Advances#						
Investments#						
Non funded commitments#						
Leasing arrangements availed#						
Leasing arrangements provided#						
Purchase of fixed assets						
Sale of fixed assets						
Interest paid						
Interest received						
Rendering of services*						
Receiving of services*						
Management contracts*						

@ Whole time directors of the Board and CEOs of the branches of foreign banks in India.

Outstanding at the year-end and the maximum during the year are to be disclosed.

* Contract services, etc. and not services like remittance facilities, locker facilities, etc.

Note:

(i) Related parties for a Bank are its parent, subsidiary(ies), associates/ joint ventures, Key Management Personnel (KMP) and relatives of KMP. KMP are the whole-time directors for an Indian bank and the Chief Executive Officer (CEO) for a foreign bank having branches in India. Relatives of KMP would be on the lines indicated in section 45 S of the RBI Act, 1934.

(ii) The name and nature of related party relationship shall be disclosed, irrespective of whether there have been transactions, where control exists within the meaning of the Standard. Control would normally exist in case of parent-subsidiary relationship. The disclosures may be limited to aggregate for each of the above related party categories and would pertain to the year-end position as also the maximum position during the year.

(iii) The Accounting Standards is applicable to all nationalised banks. The accounting standard exempts state-controlled enterprises i.e., nationalised banks from making any disclosures pertaining to their transactions with other related parties which are also state controlled enterprises. Thus, nationalised banks need not disclose their transactions with the subsidiaries as well as the RRBs sponsored by them. However, they will be required to disclose their transactions with other related parties.

(iv) Secrecy provisions: If in any of the above category of related parties there is only one related party entity, any disclosure would tantamount to infringement of customer confidentiality. In terms of AS 18, the disclosure requirements do not apply in circumstances when providing such disclosures would conflict with the reporting enterprise's duties of confidentiality as specifically required in terms of statute, by regulator or similar competent authority. Further, in case a statute or regulator governing an enterprise prohibits the enterprise from disclosing certain information, which is required to be disclosed, non-disclosure of such information would not be deemed as noncompliance with the Accounting Standards. On account of the judicially recognized common law duty of the banks to maintain the confidentiality of the customer details, they need not make such disclosures. In view of the above, where the disclosures under the Accounting Standards are not aggregated disclosures in respect of any category of related party i.e., where there is only one entity in any category of related party, banks need not disclose any details pertaining to that related party other than the relationship with that related party.

Annexure B

[Refer Para 2.8.3 of the Policy]

Format for disclosure of related party transactions every six months

											Additional disclosure of related party transactions - applicable only in case the related party transaction relates to loans, inter-corporate deposits, advances or investments made or given by the listed entity/subsidiary. These details need to be disclosed only once, during the reporting period when such transaction was undertaken.							
S. No.	Details of the party (listed entity /subsidiary) entering into the transaction		Details of the counterparty			Type of related party transaction (*see Note 5*)	Value of the related party transaction as approved by the Audit Committee *(see Note 6a)*	Value of transaction during the reporting period *(see Note 6b)*	In case monies are due to either party as a result of the transaction *(see Note 1)*		In case any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments			Details of the loans, inter-corporate deposits, advances or Investments				
	Name	PAN	Name	PAN	Relationship of the counterparty with the listed entity or its subsidiary				Opening Balance	Closing Balance	Nature of indebtedness (loan/ issuance of debt/ any other etc.)	Cost (*see Note 7*)	Tenure	Nature (loan/ advance/ intercorporate deposit/ investment	Interest Rate (%)	Tenure	Secured/ Unsecured	Purpose for which the funds will be utilised by the ultimate recipient of funds (end usage)
Total (of Note 6b)																		

Notes:

1. The details in this format are required to be provided for all transactions undertaken during the reporting period. However, opening and closing balances, including commitments, to be disclosed for existing related party transactions even if there is no new related party transaction during the reporting period.
2. Where a transaction is undertaken between members of the consolidated entity (between the listed entity and its subsidiary or between subsidiaries), it may be reported once.
3. **Listed banks shall not be required to provide the disclosures with respect to related party transactions involving loans, inter-corporate deposits, advances or investments made or given by the listed Banks**.

4. For companies with financial year ending March 31, this information has to be provided for six months ended September 30 and six months ended March 31. Companies with financial years ending in other months, the six months period shall apply accordingly.
5. Each type of related party transaction (for e.g. sale of goods/services, purchase of goods/services or whether it involves a loan, inter-corporate deposit, advance or investment) with a single party shall be disclosed separately and there should be no clubbing or netting of transactions of same type. However, transactions with the same counterparty of the same type may be aggregated for the reporting period. For instance, sale transactions with the same party may be aggregated for the reporting period and purchase transactions may also be disclosed in a similar manner. There should be no netting off for sale and purchase transactions. Similarly, loans advanced to and received from the same counterparty should be disclosed separately, without any netting off.
6. In case of a multi-year related party transaction:

    a. The aggregate value of such related party transaction as approved by the audit committee shall be disclosed in the column “Value of the related party transaction as approved by the audit committee”.
    b. The value of the related party transaction undertaken in the reporting period shall be reported in the column “Value of related party transaction during the reporting period”.
7. "Cost" refers to the cost of borrowed funds for the listed entity.
8. PAN will not be displayed on the website of the Stock Exchange(s).
9. Transactions such as acceptance of fixed deposits by Banks/NBFCs, undertaken with related parties, at the terms uniformly applicable /offered to all shareholders/ public shall also be reported.