

POLICY ON RELATED PARTY TRANSACTIONS

1. Preface

The Board of Directors (**the “Board”**) of Indian Bank (**the “Bank”**), has adopted the following policy and procedures with regard to Related Party Transactions as defined below in accordance with Clause 49 of the Listing Agreement entered into with the Stock Exchanges (National Stock Exchange of India Limited - NSE and BSE Limited - BSE), as part of Corporate Governance. The Audit Committee of the Board will review and may amend this policy from time to time.

The policy has been formulated to regulate transactions between the Bank and its Related Parties based on the laws and guidelines applicable to the Bank. Reserve Bank of India has issued circulars regarding transactions with related parties and their disclosure and this policy has, therefore, to be read along with RBI guidelines.

2. Objective

Securities and Exchange Board of India vide circulars No. CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014 and circular No. CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014, Clause 49 of Listing Agreement, effective from October 01, 2014. The policy is framed as per requirements of Clause 49(VII)(C) of the revised Listing Agreement and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [SEBI (LODR) Regulations] and intended to ensure proper approval and reporting of transactions between the Bank and its Related Parties. Such transactions shall be appropriate only, if they are in the best interest of the Bank and its shareholders. The policy comes into force with immediate effect and shall be applicable to all transactions made with Related Parties as defined hereinafter.

3. Definitions

“Arm’s length transaction”	“Arm’s length transaction” means a transaction as defined under the Companies Act, 2013, between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
“Associate”	“Associate” means an enterprise in which the Bank has significant influence and which is neither a subsidiary nor a joint venture of the Bank.
“Audit Committee or Committee” (ACB)	“Audit Committee or Committee” means Committee of Board of Directors of the Bank constituted in pursuance of the directives of Reserve Bank of India and in compliance with the Nationalized Banks (Management and Miscellaneous Provisions) Scheme, 1970/1980 and provisions of Listing Agreement.

“Board”	“Board” means Board of Directors of the Bank constituted in terms of Section 9 (3) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/80.
“Control”	“Control” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
“Joint Venture”	“Joint Venture” means a contractual arrangement whereby two or more parties undertake an economic activity, which is subject to joint control.
“Key Managerial Personnel” (KMP)	<p>“Key Managerial Personnel” means,</p> <ul style="list-style-type: none"> (i) Chief Executive Officer or the Managing Director appointed under The Nationalized Banks (Management And Miscellaneous Provisions) Scheme, 1970/80; (ii) Board Secretary / Company Secretary; (iii) Executive Director / Whole-time director; (iv) Chief Financial Officer; and (v) such other officer/s as may be prescribed.
“Material Related Party Transaction”	<p>“Material Related Party Transaction” means a transaction with a related party if the transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated income of the Bank as per the last audited financial statements of the Bank.</p> <p>Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed two percent of the annual consolidated income of the Bank as per the last audited financial statements of the Bank.</p>
“Policy”	“Policy” means Related Party Transaction Policy.
“Related Party”	<p>An entity shall be considered as related if:</p> <ul style="list-style-type: none"> (a) such entity is a related party under Section 2(76) of the Companies Act,2013 – <ul style="list-style-type: none"> i) a director or his relative ii) a key managerial personnel or his relative iii) a firm, in which a director or his relatives is a partner iv) a private company in which a director is a member or a director v) a public company in which a director is a director or holds along with his relatives, more than two percent of its paid up share capital vi) any body corporate whose Board of Directors, managing director is accustomed to act in accordance with the advice, directions or instructions of a director

	<p>vii) any person on whose advice, directions or instructions a director is accustomed to act.</p> <p>(b) such entity is a related party under the applicable accounting standards- parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.</p> <p>Provided that any person or entity belonging to the promoter or promoter group of the Bank and holding 20% or more of shareholding in the Bank shall be deemed to be a related party.</p>
“Related Party Transaction”	“Related Party Transaction” means any transaction directly or indirectly involving any Related Party, which is a transfer of resources, services or obligations between the Bank and a related party, regardless of whether a price is charged.
“Relative”	<p>“Relative” means and includes anyone who is related to another, if,</p> <ol style="list-style-type: none"> i. They are husband and wife; or ii. Father (including step-father); iii. Mother (including step-mother); iv. Son (including step-son); v. Son’s wife; vi. Daughter; vii. Daughter’s husband; viii. Brother (including step-brother); ix. Sister (including step-sister).
“Subsidiary”	“Subsidiary” means a company in which the Bank holds, either by itself and/or through one or more subsidiaries, more than one-half in nominal value of its equity share capital.

4. Disclosures

The Bank shall pursuant to requirements of clause 49 VIII of the Listing Agreement and SEBI (LODR) Regulations, disclose to the Stock Exchanges the details of all material transactions with related parties quarterly along with the compliance report on Corporate Governance. Details of such material contract(s) or arrangement(s) with related parties shall also be disclosed in the Board’s Report on Corporate Governance in the Annual Report, which shall be placed to Board for approval.

This Policy will also be disclosed on Bank’s website and a web link shall be provided in the Annual Report.

The Reserve Bank of India vide its Master Circular No. DBOD.BP.BC No.8/21.04.018/2014-15 dated July 01, 2014 on Disclosure in Financial Statements - Notes to Accounts, has provided detailed guidance to Banks in the matter of

disclosures in the 'Notes to Accounts' to the Financial Statements. The Accounting Standard 18 relating to Related Party Disclosures is applicable for reporting related party relationships and transactions between a reporting enterprise and its related parties. The illustrative disclosure format recommended by the ICAI as a part of General Clarification (GC) 2/2002 has been suitably modified by RBI to suit Banks and the illustrative format of disclosure by banks for the AS 18 is annexed as Annexure -1. The Disclosures shall be made in accordance with this Policy.

5. Policy

All Related Party Transactions must be reported to the Audit Committee and referred for approval to the Committee in accordance with this Policy.

5.1 Related Party includes Directors, Key Managerial Personnel and their relatives. During discussion on related party agenda item, wherein any Director or KMP is interested, he / she shall recuse from the respective ACB meeting. All Related Party Transactions (RPTs) shall require prior approval of the Audit Committee of the Board (ACB).

5.2 However, the ACB may grant omnibus approval for RPTs proposed to be entered into by the Bank subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting the omnibus approval.
- b. The Audit Committee shall satisfy itself the need for omnibus approval and that the approval is in the interest of the Bank.
- c. The approval shall be applicable only in respect of transactions which are repetitive in nature.
- d. 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 RPT 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.

- e. 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.
- f. Any omnibus approval shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of **one year**.

5.2A. Ceiling on Related Party Transactions:

Ceiling on the amount	Approval required		
	Audit Committee	Board of Directors	Shareholders (ordinary resolution)
Upto 10% of the annual consolidated income of the Bank	YES		
In excess of the above limit	YES	YES	YES (No related parties can vote to approve the transaction)

5.3 All material Related Party Transactions shall require approval of the shareholders through ordinary resolution and no related party shall vote to approve.

Provided that the rules mentioned in points 5.1 and 5.2 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.

5.4 Type of Transactions to be covered

- a) The following transactions will be covered under this Policy:
 - i) Sale, purchase or supply of any goods or materials.
 - ii) Selling or otherwise disposing of, or buying, property of any kind.
 - iii) Leasing of property of any kind.
 - iv) Availing or rendering of any services.
 - v) Appointment of any agent for purchase or sale of goods, materials, services or property etc.
 - vi) Such related party's appointment to any office or place of profit in the Bank, its subsidiary company or associate company.
 - vii) Underwriting the subscription of any securities or derivatives thereof, of the Bank.

- b) Pursuant to RBI Guidelines on Disclosure in Financial Statements - Notes to Accounts (Accounting Standard 18), the following transactions will be covered such as:
 - (i) Borrowings
 - (ii) Deposit
 - (iii) Placement of deposits
 - (iv) Advances
 - (v) Investments
 - (vi) Non-funded commitments
 - (vii) Leasing/HP arrangements availed

- (viii) Leasing/HP arrangements provided
- (ix) Purchase of fixed assets
- (x) Sale of fixed assets
- (xi) Interest paid
- (xii) Interest received
- (xiii) Rendering of services
- (xiv) Receiving of services
- (xv) Management contracts

5.5 Identification of potential Related Party Transactions

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or the Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/ Audit Committee may reasonably request. The Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The notice of any such potential Related Party Transaction should be given to the Board/Audit Committee well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

5.6 Procedure for seeking approval of Related Party Transactions

As and when any transaction is contemplated with any Related Party, the concerned office / department entertaining the request shall submit to the Board Secretariat at Corporate Office, the details of proposed transaction with details/draft contract/ draft agreement or other supporting documents justifying that the transactions are on arms' length basis in an ordinary course of business at prevailing market rate. Based on this, the Board Secretariat shall appropriately take it up for necessary prior approvals from the Audit Committee at its next meeting and convey back the decision to the originator. The Board Secretariat shall maintain records indicating particulars of all contracts or arrangements and thereafter the same shall be placed before the next meeting of the Board. The departments who have obtained such approvals from ACB should report the details of sanction, indicating material transactions separately, to CO: Investor Services Cell on quarterly basis for reporting to Stock Exchanges / in Annual Reports.

5.7 Review and Approval of Related Party Transactions

Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will reclude himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Bank and to the Related Party, and any other relevant matters. In 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:

- ❖ Whether the terms of the Related Party Transaction are fair and on arms length basis to the Bank and would apply on the same basis if the transaction did not involve a Related Party;
- ❖ 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;
- ❖ Whether the Related Party Transaction would affect the independence of an independent director;
- ❖ Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- ❖ 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 is allowed and would be detrimental to the Bank; and
- ❖ 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, Chief Executive Officer 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 ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law for the 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.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

- a. 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.
- b. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Bank and all holders of such securities receive the same benefits pro rata as the Related Party.

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

In the event the Bank becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all the relevant facts and circumstances regarding the Related Party Transaction and shall evaluate all options available to the Bank, including ratification, revision or termination of the Related Party Transaction. 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.

In any case, where 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.

In connection with any review of a Related Party Transaction, the Audit Committee has the final authority to modify or waive any procedural requirements of this Policy.

Annexure - 1

Format for Related Party Disclosures

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

Note: 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

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

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

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