



IndusInd Bank

Policy on Related Party Transactions

IndusInd Bank Limited

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1. Background

- 1.1. The Policy on Related Party Transactions (RPT Policy) has been formulated pursuant to Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR), and in compliance with provisions of Sections 177, 188 and other applicable provisions of the Companies Act, 2013 and Rules made thereunder (the Act).

2. Objective

- 2.1. The objective of the Policy is to ensure proper approval, disclosure and reporting of transactions as applicable between the Bank and its related parties for regulatory compliance by the Bank and its stakeholders.
- 2.2. This Policy aims at preventing situations of potential conflict of interests in the execution of transactions involving related parties.

3. Definitions and Meanings

- 3.1. “Associate company” as defined under Section 2(6) of the Companies Act, 2013.
- 3.2. “Audit Committee” means the Audit Committee of the Board (ACB) constituted by the Board of Directors of the Bank, from time to time.
- 3.3. “Arm’s length basis” in respect of a transaction between two related parties means a transaction that is conducted as if the parties were unrelated so that there is no conflict of interest.

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

For determination of arm’s length basis, guidance may be taken from the provisions of Transfer Pricing under the Income Tax Act, 1961.

- 3.4. “Board” means Board of Directors of the Bank.
- 3.5. “Material 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 ten per cent of the

annual consolidated turnover of the Bank as per the last audited financial statements of the Bank.

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 / transactions to be entered into individually or taken together with previous transactions during a financial year exceed five per cent of the Annual Consolidated Turnover of the Bank as per the last audited financial statements of the Bank.

- 3.6. “Turnover” of the Bank, in accordance with Section 2(91) of the Companies Act, 2013, means Total Income which is the aggregate of Interest Income and Other Income.
- 3.7. “Ordinary Course of Business” includes but is not limited to activities that are necessary, normal, and incidental to the business. The following factors are indicative of a transaction being in the ordinary course of business:
- The transaction is normal or otherwise unremarkable for the business;
 - The transaction is frequent / regular;
 - The transaction is a source of income for the business;
 - Transactions that are a standard industry practice, even though the Bank may not have done it in the past.
 - The transaction is permitted under Memorandum and Articles of Association of the Bank.

The criteria are not exhaustive, and the Bank will have to assess each transaction considering its specific nature and circumstances.

- 3.8. “Property” includes property of every description and includes movable, immovable, tangible and intangible properties.
- 3.9. “Related Party” means a Related Party as defined under sub-section (76) of Section 2 of the Companies Act, 2013 or under the applicable Accounting Standards or under the SEBI LODR, as amended from time to time.
- 3.10. “Related party” - The process of identification of related parties shall be guided by the applicable statutes and regulatory guidelines, including but not limited to,
- (a) The Banking Regulation Act, 1949
 - (b) The Companies Act, 2013
 - (c) Guidelines and Circulars issued by the RBI
 - (d) SEBI Regulations, Orders and Circulars
 - (e) Mandatory Accounting Standards

Without limiting the scope of the para above, in general, the following class of persons / entities will be treated as “related parties” to the Bank:

- (a) Bank’s Parent which will include promoters and its Subsidiaries and Associates
- (b) Key Managerial Personnel (KMP) including whole Time Directors and their relatives

- (c) A subsidiary company
- (d) An associate company in which the Bank holds more than 20% of the total share capital
- (e) A Director, his / her relative, private companies in which the Director or his/her relative is a member or Director, public companies in which the Director or his/her relatives hold more than 2% of total share capital

A strategic intent to participate in the equity of a company is necessary to treat the company as an “associate” entity. The following investments will be excluded while considering the 20% limit specified in (d) above:

- (i) Holding of shares in a fiduciary capacity
- (ii) Investment with the intent to trade or to hold merely for earning a return
- (iii) Acquisition, either through conversion or otherwise, of share capital in full or partial settlement of amounts due to the Bank

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.

- 3.11. “Related Party transaction” means a transaction involving transfer of resources, services or obligations between the Bank and a related party, regardless of whether a price is charged or not. A "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.
- 3.12. “Relative” means a relative as defined under Section 2(77) of the Companies Act, 2013.
- 3.13. “Subsidiary company” or “subsidiary” means a subsidiary as defined under Section 2 (87) of the Companies Act, 2013.
- 3.14. It may be noted that this policy framework, including the definitions above, is meant solely for the purposes of compliance with related party transaction requirements under Companies Act, 2013 and SEBI LODR. The above terms may have different connotations for other purposes like disclosures in the financial statements, which are governed by respective regulations, accounting standards, regulatory guidelines, etc.

4. Identification of a Related Party

- 4.1. Every Director and Key Managerial Personnel of the Bank will be responsible for providing a disclosure containing information of respective related parties to the Company Secretary on an annual basis and whenever there is a change in the information provided.
- 4.2. The Company Secretary shall maintain database of ‘Related Parties’ containing the names of individuals and companies identified, based on the definition of ‘Related Party’ and the declarations provided by the Directors, and intimate to the Management as soon the changes in Related Party are intimated to him / her. The list of related parties shall be

updated whenever necessary and reviewed promptly and be communicated to the Functional Departments.

5. Transactions with Related Parties

- 5.1. The Bank's transactions with related parties can be classified into two broad categories:
- (a) The Bank providing any of its banking product or service to a related party; and
 - (b) The Bank procuring any product or service from a related party.
- 5.2. Following transactions covering banking products / services (excluding grant of loans and advances contemplated under Section 20(1) of the Banking Regulation Act, 1949 and under the guidelines issued by RBI from time to time with related parties) do not require the specific approval of ACB / Board provided these transactions are entered in ordinary course of banking business, at "arm's length" price under the general or specific product programmes and / or policies approved by the Bank.
- (a) All transactions which are in the normal course of banking business, other than extending a credit facility, can be undertaken with 'related parties', such as remittances, extending safe deposit locker facilities, providing foreign exchange, depository / demat services, sale of wealth products, etc.
 - (b) General approval is given for accepting deposits from an associate or a subsidiary or a Director of the Bank or his relative or an associate entity or from a KMP or his / her relative up to Rs.100 crores, provided these deposits are accepted at the prevalent interest rates that are applicable to all other constituents and are subject to compliance with guidelines issued by RBI from time to time.
- 5.3. Apart from the matter relating to appointment and / or remuneration of a Whole-Time Director, all other related party transactions (not exempted in (i) and (ii) above) shall require prior approval of the Audit Committee. The Audit Committee can, subject to the parameters specified, grant omnibus approval valid for a period not exceeding one year.
- 5.4. Matters relating to appointment and / or remuneration of a Whole-Time Director would be dealt with by the Nomination & Remuneration Committee, and would be subject to approval of the Board of Directors of the Bank and of the Reserve Bank of India.
- 5.5. While according approval, the Audit Committee shall ensure that the transactions with related parties are strictly governed by the principle of commercial prudence, i.e., the pricing or other terms and conditions of transactions with a related party shall not be less favourable to the Bank than similar transactions that are / would be entered into with an unrelated entity.
- 5.6. Any transaction which is not in the ordinary course of business of the Bank will be referred to the Board for prior approval. Depending on the facts and circumstances of the specific

transaction and the applicable legislative / regulatory framework, it may require the approval of the shareholders, or need regulatory or Government clearances.

- 5.7. Extension of a credit facility to an identified subsidiary or associate of the Bank shall go through the normal credit approval grid of the Bank. Besides such approval, facilities beyond an amount of Rs.10 crores to each of the subsidiaries or associates shall have to be referred to the Audit Committee for prior approval.
- 5.8. Once a credit facility is granted to a subsidiary or an associate as above, transactions within the set limits do not require the prior approval of the Audit Committee.
- 5.9. Any contract or arrangement with a 'related party' that is not in the ordinary course of business of the Bank or is at a price that is not at arm's length, involving sale, purchase of any goods, disposing of or buying property of any kind, leasing of property of any kind, directly or through appointment of agent, will have to be approved by Board of Directors, subject to compliance of guidelines issued by Reserve Bank of India and / or provisions of Companies Act 2013.

6. Review and Approval of Related Party Transactions

6.1. Audit Committee Approval

- 6.1.1. All related party transactions shall require prior approval of the Audit Committee whether at a meeting or by resolution passed by circulation or any other manner as provided by the Act or SEBI LODR.
- 6.1.2. The Audit Committee will be provided with all material information on the related party transactions, including terms of the transaction, the business purpose of the transaction, benefits to the Bank and to the related party and any other relevant matters as specified under the Act and SEBI LODR for its approval and for making appropriate recommendations to the Board.
- 6.1.3. Transactions between the Bank and its Wholly-Owned Subsidiary (WOS) the Accounts of which are consolidated with the Bank and placed before the shareholders in the General Meeting for approval do not require prior approval of the Audit Committee.
- 6.1.4. The Audit Committee may grant omnibus approval for related party transactions subject to the following conditions:
 - (a) The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Bank;
 - (b) The Audit Committee shall lay down the criteria for granting omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature;

(c) Such omnibus approval shall specify the following:

- Name of the related party;
- Nature of the transaction;
- Period of transaction;
- Maximum amount worth of transactions that can be entered into;
- Indicative base price / current contracted price and the formula for variation in the price, if any; and
- Such other conditions as the Audit Committee may deem fit.

6.1.5. In cases where the need for a related party transaction cannot be foreseen and / or details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

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

6.1.7. Omnibus approval shall not be granted for transactions in respect of selling or disposing of the undertaking of the Bank.

6.1.8. The Audit Committee shall review on a quarterly basis the details of related party transactions entered into by the Bank pursuant to each of the omnibus approvals given.

6.2. Board Approval

6.2.1. Transactions with Related Parties which are not in the ordinary course of business or not at arm's length price shall require prior approval of the Board.

6.2.2. All material related party transactions shall be approved by the Board of Directors.

6.2.3. In case any Director is interested in any contract or arrangement with a related party, such Director shall abstain from the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

6.3. Shareholders' Approval

6.3.1. All related party transactions which are not in the ordinary course of business or not at arm's length and which are in excess of the limits prescribed under the Act requiring the approval of shareholders shall require approval of the Shareholders by way of a Resolution passed at the General Meeting of the Bank, and in such cases, the related party/ parties to the transaction shall abstain from voting on the related resolutions.

- 6.3.2. All 'material related party transactions' shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is related party to the particular transaction or not.
- 6.3.3. All entities falling under the definition of related parties shall not vote to approve the relevant transactions irrespective of whether the entity is a party to the particular transaction or not.
- 6.3.4. Approval of Shareholders shall not be required for transactions entered into with the Bank's wholly-owned subsidiaries the Accounts of which are consolidated with the Bank and placed for approval of the shareholders at the General Meeting.

7. Disclosures

- 7.1. This Policy will be communicated to all Directors, employees of the Bank, and other persons concerned.
- 7.2. In accordance with Regulation 27(2)(b) of SEBI LODR, details of all material transactions with related parties shall be disclosed to Stock Exchanges at quarterly intervals, along with the Compliance Report on Corporate Governance.
- 7.3. The Bank shall disclose the Policy on dealing with Related Party transactions on its website and web-link shall be provided in the Annual Report.
- 7.4. The Reserve Bank of India, vide its Master Circular No. DBR.BP.BC No.23/21.04.018/2015-16 dated July 1, 2015, has prescribed the manner in which the disclosures are to be made in the Financial Statements of banks in respect of transactions with related parties as envisaged under Accounting Standard 18.
- 7.5. In accordance with Regulation 23(9) of SEBI LODR, the Bank shall submit within 30 days from the date of publication of its Standalone and Consolidated Financial Results for the half year the disclosures of related party transactions on a consolidated basis, in the format specified in the relevant Accounting Standards for Annual Results to the stock exchanges and publish the same on its website.
- 7.6. Such further disclosure of related party transactions shall be made as may be prescribed by the Act or by SEBI LODR or any other regulatory authority or statute from time to time in such format as may be prescribed.

8. Review of the Policy

- 8.1. This Policy shall be reviewed by the Audit Committee / Board as and when necessary, and in any case at least once every three years, and shall be updated accordingly.

- 8.2. In case of any conflict in the Policy with the Act / Regulations, the provisions of the Act / Regulations shall prevail.

9. Related Party Transactions not approved under this Policy

- 9.1. In the event the Bank becomes aware of any transactions with related parties that were not approved under this policy prior to their consummation, the matter shall be placed for review by the Audit Committee, the Board and / or Shareholders.
- 9.2. The Audit Committee shall consider all relevant facts and circumstances regarding the same and shall evaluate all options available to the Bank including ratification, revision or termination of the transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such transactions to the Committee under this policy, and take such action as it deems appropriate.
- 9.3. In any case, where the Audit Committee decides not to ratify a transaction that has been commenced without its approval, the Audit Committee may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the Board / Shareholders, payment of compensation for the loss suffered by the related party, etc.
- 9.4. In connection with any review of a transaction with a related party, the Audit Committee has the authority to modify or waive any procedural requirements of this policy.

Version History

- Current Version 2.0 Approved by the Board on April 30, 2021.
Previous Version 1.0 Approved by the Board on 01 October 2014.