



# Indian Overseas Bank

Investor Relations Cell  
Central Office

## POLICY ON RELATED PARTY TRANSACTIONS

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## POLICY ON RELATED PARTY TRANSACTIONS

### 1. NAME OF THE POLICY AND EFFECTIVE DATE:

In compliance of the regulation 23 (1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [hereinafter referred to as "SEBI (LODR) Regulations"] and Guidelines issued by Securities Exchange Board of India (SEBI) from time to time, the Bank has formulated the 'Policy on Related Party Transactions'.

This Policy is framed as per Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 & any amendments thereof. This Policy shall be termed as "**Policy on Related Party Transactions**" (hereinafter referred to as "**Policy**") which shall come into force with effect from April 1, 2022.

### 2. DEFINITIONS:

<b>Arm's length transaction</b>	Arm's length transaction as defined under the Companies Act, 2013, means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
<b>Associate</b>	Associate means an enterprise in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company or an enterprise in which an investing reporting party has significant influence and which is neither a subsidiary nor a joint venture of that party under Accounting Standards - 18.
<b>Audit Committee</b>	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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
<b>Board</b>	"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 / 1980.
<b>Bank</b>	Indian Overseas Bank
<b>Joint Venture</b>	Joint Venture means a contractual arrangement whereby two or more parties undertake an economic activity, which is subject to joint control.

<b>Key Managerial Personnel (KMP)</b>	Key Managerial Personnel means, (i) Chief Executive Officer or the Managing Director appointed under The Nationalized Banks (Management And Miscellaneous Provisions) Scheme, 1970/80; (ii) Company Secretary; (iii) Executive Director / Whole-time director; (iv) Chief Financial Officer and/ or (v) such other officer(s) as may be prescribed.
<b>Material Related Party Transaction</b>	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 <b>Rupees One Thousand Crores or ten percent</b> of the annual total income of the Bank as per the last audited financial statements of the Bank, whichever is lower.  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 <b>five percent</b> of the annual total income of the Bank as per the last audited financial statements of the Bank.
<b>Material Modification</b>	Any modification to material Related Party Transaction already approved by the Audit Committee shall be considered as material modification and shall require approval of Audit Committee.
<b>Ordinary Course of Business</b>	Transactions in Ordinary Course of Business means: (i) transaction carried out in the normal course of business (ii) transaction of historical practice with a pattern of frequency; or (iii) transaction involving common commercial practice; or (iv) Meets any other parameters/criteria as decided by Board / Audit Committee.
<b>Office or place of Profit</b>	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>Policy</b>	Policy means Policy on Related Party Transaction.
<b>Related Party</b>	I. As per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, "Related Party" means: 1) a Director or his relative; 2) a key managerial personnel or his relative; 3) a firm, in which a director or his relatives is a partner;

	<p>4) a private company in which a director or manager or his relative is a member or a director;</p> <p>5) a public company in which a director or manager is a director or holds along with his relatives, more than two percent of its paid up share capital;</p> <p>6) any Body Corporate whose Board of Directors, Managing Director is accustomed to act in accordance with the advice, directions or instructions of a director or manager;</p> <p>7) any person on whose advice, directions or instructions a director is accustomed to act.</p> <p>Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity.</p> <p>8) any Body Corporate which is</p> <ul style="list-style-type: none"> <li>A. a holding, subsidiary or an associate company of such company;</li> <li>B. a subsidiary of a holding company to which it is also a subsidiary; or</li> <li>C. an investing company or the venturer of the company.</li> </ul> <p>II. In accordance with Accounting Standards 18, 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><b>Related Party Transaction</b></p>	<p>As per Regulation 2 (1) (zc) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, "Related Party Transaction" means a transaction involving a transfer of resources, services or obligations between:</p> <p>(i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand 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.</p> <p>Provided that the following shall not be a related party transaction:</p> <ul style="list-style-type: none"> <li>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;</li> <li>b. the following corporate actions by the Bank which are uniformly applicable / offered to all shareholders in proportion to their shareholding: <ul style="list-style-type: none"> <li>i. payment of dividend;</li> <li>ii. subdivision or consolidation of securities;</li> <li>iii. issuance of securities by way of a rights issue or a bonus issue; and</li> <li>iv. buyback of securities.</li> </ul> </li> </ul>

	c. acceptance of fixed deposits by the Bank 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 the Board.
<b>Relative</b>	<p>“Relative” means and includes anyone who is related to another, if,</p> <ol style="list-style-type: none"> <li>1) They are members of Hindu undivided Family;</li> <li>2) They are husband and wife; or</li> <li>3) A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:- <ol style="list-style-type: none"> <li>a) Father (including step-father);</li> <li>b) Mother (including step-mother);</li> <li>c) Son (including step-son);</li> <li>d) Son's wife;</li> <li>e) Daughter;</li> <li>f) Daughter's husband;</li> <li>g) Brother (including step-brother);</li> <li>h) Sister (including step-sister).</li> </ol> </li> </ol>
<b>Subsidiary</b>	<p>“Subsidiary” means a company in which the holding company:</p> <ol style="list-style-type: none"> <li>(i) controls the composition of the Board of Directors; or</li> <li>(ii) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies.</li> </ol> <p>Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.</p>
<b>Significant Influence</b>	“Significant Influence” means control of at least twenty percent of total voting power or control of or participation in business decisions under an agreement.

### 3. **SCOPE OF THE POLICY:**

This Policy outlines the materiality of related party transactions in terms of Regulation 23 (1) of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 and amendment thereon.

The Board of Directors, on recommendations by Audit Committee is empowered to review and amend the policy from time to time.

### 4. **OBJECTIVE OF THE POLICY:**

The objective of the Policy is to determine the materiality of related party transactions and the dealings with related party transactions and is intended to ensure proper approval and reporting of transactions between the Bank and its Related Parties.

## **5. APPLICABILITY OF THE POLICY:**

The Policy shall be applicable to all Related Party Transactions made 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 under definitions referred in Point No. 2 of this policy.

## **6. DETERMINATION OF RELATED PARTY TRANSACTIONS:**

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

**6.1** Where any Director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement. All Related Party Transactions (RPTs) shall require prior approval of the Audit Committee.

**6.2** However, the Audit Committee may grant omnibus approval for Related Party Transactions 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 Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transaction subject to their value **not exceeding Rs. One 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(s) 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**.

## 6.2A. Ceiling on Related Party Transactions:

Ceiling on the amount	Approval required		
	Audit Committee	Board of Directors	Shareholders (Ordinary Resolution)
A. Limits w.r.t. "Material Related Party Transactions" (including any material modifications thereof) as specified in definitions to this Policy.	YES	YES	YES (No Related Party shall vote to approve such resolution)
B. Transactions less than the limit specified in A above and is not material.	YES	NOT REQUIRED	NOT REQUIRED

**6.3** All material Related Party Transactions and subsequent material modifications, if any shall require prior approval of the shareholders through Ordinary Resolution and no related party shall vote to approve such transaction.

Provided that the rules mentioned in points 6.1 and 6.2 shall not be applicable in the following cases:

- (i) Transactions entered into between 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.
- (iii) Transactions entered into between two wholly owned subsidiaries of listed holding entity whose accounts are consolidated with such holding Company and placed before the shareholders at the general meeting for approval.

## 6.4 Transactions covered under Related Party Transactions:

The following transactions entered with related party are considered as Related Party Transactions:

- 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.

viii. Such other transactions which are defined under "related party transactions" under Point No.2 of this Policy.

#### **6.5 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 Audit Committee / Board 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 Audit Committee / Board well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

#### **6.6 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 Audit Committee / Board Services at Central 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 and in the ordinary course of business at prevailing market rate. Based on this, the Board Services 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 Services 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 Audit Committee should report the details of sanction, indicating material transactions separately, to Central Office, Investor Relations Cell on quarterly basis for reporting to Stock Exchanges / in Annual Reports.

#### **6.7 Review and Approval of Related Party Transactions**

Related Party Transactions including the proposed transaction(s), 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 are 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.
- Audit Committee should comprise of Independent Directors also. As per the proviso to Regulation 23 (2), only independent directors shall approve Related Party Transactions.
- 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 prior 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 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 Boards 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.

## **7. DISCLOSURE REQUIREMENTS IN NEXUS WITH ACCOUNTING STANDARDS:**

- 7.1 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.
- 7.2 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.
- 7.3 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.
- 7.4 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, bank need not disclose any detail pertaining to that related party other than the relationship with that related party.

## **8. DISCLOSURES:**

- 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.
- 8.2 Necessary disclosures shall be made in the Annual Financial Statements required under AS 18 and RBI guidelines on disclosure in financial statements. Further, as required under Regulation 34(3) read with Schedule V - Para10, 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 also given in 'Report on Corporate Governance' forming part of the Annual Report of the Bank.
- 8.3 Pursuant to RBI Guidelines on Disclosure in Financial Statements - Notes to Accounts (Accounting Standard 18), the following transactions shall be disclosed in the financial statements of the company::
- (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.

8.4 The Bank shall submit to the Stock Exchanges, disclosures of Related Party Transactions in the format specified by SEBI from time to time (as given in Annexure 1 of this Policy), and publish the same on its website within 15 days from the date of publication of its Standalone Financial Results for the half year; disclosures of Related Party Transactions in the format specified

8.5 Details of all material transactions with Related Parties shall be disclosed in the quarterly Compliance Report on Corporate Governance.

8.6 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.

## **9. REVIEW OF POLICY:**

This Policy shall be reviewed once in three years pursuant to Regulation 23 (1) of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 and amendment thereon.

This policy is subject to review by the Board of Directors as and when deemed necessary. The Board of Directors may amend the same from time to time depending upon the requirements of the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and such other Regulations / Acts as may be applicable to the Bank.

The Board of Directors on recommendations of Audit Committee may amend, modify, and interpret the Rules / Regulations and make corresponding changes to the Policy and notify the same with effect from such date that the Board may notify in this behalf.

The Bank is committed to continuously review and update this policy and the Bank therefore reserves the right to amend this Policy at any time, for any reason, subject to any applicable law or pursuant to change in any regulatory requirements, for the time being in force.

## **10. RECORDS RELATING TO RELATED PARTY / SUPPORTING DOCUMENTS:**

All disclosures, 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 Board Services or any other person authorized by the Board for the purpose.

## 11. 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.

Items / Related Party (Amount in INR crore)	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.

Annexure 1  
Disclosure as per Regulation 23 (9) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

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.			
Sl. No	Details of the party (listed entity /subsidiary) entering into the transaction		Details of the counterparty			Type of related party transaction	Value of the related party transaction as approved by the audit committee	Value of transaction during the reporting period	In case monies are due to either party as a result of the transaction		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		Purpose for which the funds will be utilised by the ultimate recipient of funds (end-usage)
	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	Tenure	Nature (loan/ advance/ deposit/ investment)	Interest Rate (%)	
Total																

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