



बैंक ऑफ महाराष्ट्र
Bank of Maharashtra

भारत सरकार का उद्यम

एक परिवार एक बैंक

POLICY ON RELATED PARTY TRANSACTIONS

LEGAL FRAMEWORK:

This Policy for Related Party Transactions (the "Policy") is aimed at providing framework for proper approval and reporting of transactions between the Bank and its Related parties in such a way that they are in the best interest of the Bank and the stakeholders.

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 and in accordance with the current guidelines laid down by Securities Exchange Board of India ("SEBI"), under Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), with respect to related party transactions.

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

1. DEFINITIONS:

- a) "Arm's length transaction" "Arm's length transactions" means a transaction as defined under the Companies Act, 2013 includes transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- b) "Associate" means an enterprise in which the Bank has significant influence and which is neither a subsidiary nor a joint venture of the Bank.
- c) "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 provisions of listing agreement, Nationalized Banks (Management and Miscellaneous Provisions) Scheme, 1970.
- d) "Board" means Board of Directors of the Bank in terms of Section 9 (3) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.
- e) "Control" shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- f) "Joint Venture" means a contractual arrangement whereby Bank along with one or more parties undertake an economic activity which is subject to joint control.
- g) "Key Managerial Personnel" means

KMP mean those persons who have the authority and responsibility for planning, directing and controlling the activities of the Bank. As per RBI circular DOR.ACC.REC.No.45/21.04.018/2021-22 dated 30.08.2021, Key Managerial Personnel are the whole time directors of the Bank.

- h) "Material Related Party Transaction" for the purpose of the policy 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 rupees one thousand crore or ten per cent of the Annual Consolidated Turnover of Bank** as per the last Audited Financial Statements of the Bank, whichever is lower.

Restricted



बैंक ऑफ महाराष्ट्र
Bank of Maharashtra

भारत सरकार का उद्यम

एक परिवार एक बैंक

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

i) "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 Bank anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, sitting fee, commission, perquisites, any rent-free accommodation, 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 Bank anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

j) "Policy" means Related Party Transaction Policy.

k) "Related Party" is defined as:

The definition of Related Party is defined in various Acts/ Regulations/ Accounting Standard as below:

A. SEBI Guidelines:

As per Regulation 2 (zb) of SEBI (LODR) Regulations, 2015:

"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:

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:
 - (i) of twenty per cent or more; or
 - (ii) 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;

shall be deemed to be a related party.

B. As per Section 2(76) of Companies Act, 2013, related party, with reference to a company, means—

- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager or his relative is a member or director;
- (v) a public company in which a director or manager is a director or holds along with his relatives, more than two per cent. of its paid-up share capital;
- (vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;

Restricted



बैंक ऑफ महाराष्ट्र
Bank of Maharashtra

भारत सरकार का उद्यम

एक परिवार एक बैंक

(vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

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

(viii) any company which is—

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

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

(ix) such other person as may be prescribed;

C. As per the RBI Circular DOR.ACC.REC.No.45/21.04.018/2021-22 dated 30.08.2021,

The related parties for a bank are its parent entity, subsidiary, associates/joint ventures, Key Managerial Personnel and relatives of Key Managerial Personnel.

D. As per Accounting Standard – 18, *the definition of Related Party is as under:*

“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.”

To sum up, Related Parties of the Bank will include, its subsidiary (ies), Associates(s)/ Joint Venture(s), Sponsored Entities, Trusts (directly or indirectly managed by Bank) Key Managerial Personnel and relatives of Key Managerial Personnel.

l) “Related Party Transaction” is a transfer of resources, services or obligations between the Bank and a related party, regardless of whether a price is charged.

Explanation: A “transaction” with a related party shall be construed to include single transaction or a group of transactions in a contract.

m) “Relative” means and includes anyone who is related to another,

i) They are members of a Hindu undivided family:

ii) They are husband and wife; or

iii) Father (including step-father)

iv) Mother (including step-mother)

v) Son (including step-son)

vi) Son’s wife

vii) Daughter

viii) Daughter’s husband

ix) Brother (including step-brother)

x) Sister (including step-sister)

n) “Subsidiary” means:

i) a company in which the Bank can exercise at least 51% of the total voting power either on its own or together with one or more of its subsidiaries; or

ii) controls the composition of the Board of Directors.

2. TYPE OF TRANSACTIONS TO BE COVERED:

a) As per the Companies Act 2013, 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;

Restricted



बैंक ऑफ महाराष्ट्र
Bank of Maharashtra

भारत सरकार का उद्यम

एक परिवार एक बैंक

- 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 Listing Agreement, following transactions shall also be covered Transfer of resources, services or obligations between the Bank and a related party, regardless of whether a price is charged.
- c) 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) Deposits
 - 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 contract

3. TYPE OF TRANSACTIONS NOT TO BE COVERED:

The following type of related party transactions are exempted from applicability of provisions of Listing Regulations and accordingly these transactions are out of the purview of the scope of the policy:

- 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.

In respect of loans to whole time Directors who are treated as Key Managerial Personnel, Bank shall follow the guidelines given by Reserve Bank of India in respect of advances to directors.

The Accounting Standards is applicable to all nationalised banks. The Accounting Standard – 18 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.

4. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTION:

Each Director and Key Managerial Personnel is responsible for providing notice to the Audit Committee, 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 may reasonably request.

Restricted



बैंक ऑफ महाराष्ट्र
Bank of Maharashtra

भारत सरकार का उद्यम

एक परिवार एक बैंक

5. APPROVAL OF RELATED PARTY TRANSACTIONS:

All Related Party Transactions (RPTs) shall require prior approval of the Audit Committee of the Board (ACB). Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions. However, the ACB may grant omnibus approval for Related Party Transactions proposed to be entered into by the Bank or its subsidiary subject to the following conditions:

- a) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b) The omnibus approval shall specify:
 - (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions 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 rupees one crore per transaction.
- c) The audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Bank or its subsidiary pursuant to each of the omnibus approvals given.
- d) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

All material Related Party Transactions and subsequent material modifications as defined by the audit committee shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions. All entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

6. PROCEDURE FOR SEEKING APPROVAL OF RELATED PARTY TRANSACTIONS:

As and when any transaction is contemplated with any Related Party, the concerned office entertaining the request shall submit to the Board Secretariat Deptt. At Head office, the details of the proposed transaction with details/draft contract/draft agreement or other supporting documents justifying that the transactions are on arms' length basis and 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.

7. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS:

- a) Related Party Transactions will be referred to the Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.
- b) To review a Related Party Transactions, 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

Restricted



बैंक ऑफ महाराष्ट्र
Bank of Maharashtra

भारत सरकार का उद्यम

एक परिवार एक बैंक

others, to the extent relevant to the Related Party Transaction:

- i. 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;
 - ii. 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;
 - iii. 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
 - iv. 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 and the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and any other factor the Board/Committee deems relevant.
- c) If the Committee determines that a Related Party Transactions 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 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.
- d) Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:
- transactions entered into between two public sector companies;
 - 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
 - transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval
 - 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.
As per Regulation 23 (2) of SEBI LODR, Regulations, 2015, as amended from time to time, remuneration and sitting fees paid by the Bank or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of sub-regulation (1) of this regulation
 - 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.
 - Any transaction relating to Payment of interest made by the Bank to the related parties on their deposits with the Bank at a rate not more than that was eligible to the employees of the Bank.
 - transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central

Restricted



बैंक ऑफ महाराष्ट्र
Bank of Maharashtra

भारत सरकार का उद्यम

एक परिवार एक बैंक

Government or any State Government or any combination thereof on the other hand.

- transactions entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand.

e) The following information shall be provided to the shareholders while seeking their approval for RPTs:

- A summary of the information provided by the management of the Company to the audit committee.
- Reasons/justification for why the proposed transaction is in the interest of the Company;
- Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details specified under:
 - details of the source of funds in connection with the proposed transaction;
 - 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;
 - applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- Any other relevant information or such information as may be prescribed under Listing Regulations.

8. DISCLOSURE:

Pursuant to provisions of SEBI LODR Regulations, Bank, being a listed entity, is required to make disclosure of related party transactions every six months on the date of publication of its standalone and consolidated financial results.

Provided further that the remuneration and sitting fees paid by the Bank or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require disclosure under this sub-regulation provided that the same is not material.

The policy shall be disclosed on Bank's website and weblink of same shall be disclosed in Annual Report of Bank.

9. SECRECY PROVISIONS:

In terms of paragraph 5 of Accounting Standard 18, the disclosures 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.

In terms of Paragraph 6 of Accounting Standard 18, in case a statute or the RBI or SEBI prohibits the Bank 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.

Restricted



बैंक ऑफ महाराष्ट्र
Bank of Maharashtra

भारत सरकार का उद्यम

एक परिवार एक बैंक

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.

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 details pertaining to that related party other than the relationship with that related party.

10. 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 within 3 months, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant fact 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 Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee under this Policy and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit 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

Restricted