



IDBI BANK LIMITED

CIN: L65190MH2004GOI148838

[Regd. Office-IDBI Tower, WTC Complex, Cuffe Parade, Mumbai-400005,
Tel.:(022) 66552779 / 66553336 Fax: (022) 2218 5689, [website: www.idbi.com](http://www.idbi.com),
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POLICY ON RELATED PARTY TRANSACTIONS

[updated as on January 31, 2019]

In terms of Section 188 of the Companies Act, 2013 read with Rule 15 of the Companies (Meetings of Board & its Powers) Rules, 2014 and Regulations 2(1)(zb), (zc) and 23 of the SEBI (LODR) Regulations, 2015, the Board lays down the following Policy on dealing with Related Party Transactions in IDBI Bank :

I. Who would be the Related Parties for IDBI Bank -

In terms of Section 2(76) of the Companies Act, 2013 and Regulation 2(1)(zb) of the SEBI (LODR) Regulations, 2013 as applicable to IDBI Bank:

- (i) a Director of IDBI Bank or his relative;
- (ii) a Key Managerial Personnel of IDBI Bank or his relative;
- (iii) a firm in which a director of IDBI Bank or his relative is a partner;
- (iv) a private company in which a Director of IDBI Bank or his relative is a member or director;
- (v) a public company in which a Director of IDBI Bank is a Director and 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 of IDBI Bank;
- (vii) any person on whose advice, directions or instructions a Director of IDBI Bank 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.



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- (viii) any Body Corporate which is a Holding (LIC), Subsidiary or an Associate Company of IDBI Bank;
- (ix) any Body Corporate which is a subsidiary, step down subsidiary of Holding Company, LIC;
- (x) an investing Company or venturer of IDBI Bank;
- (xi) a Director (other than an Independent Director) or Key Managerial Personnel of IDBI Bank or his relative shall be deemed to be related party with reference to Subsidiary or Associate company of IDBI Bank;
- (xii) a Director (other than an Independent Director) or Key Managerial Personnel of LIC, Holding Company or his relative shall be deemed to be related party;
- (x) any entity which is a related party under the applicable Accounting Standards.

II. What will constitute a Related Party Transaction –

(1) In terms of Section 188(1) of the Companies Act, 2013

Any contract or arrangement entered into with a related party by IDBI Bank with respect to -

- (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;
- (f) such related party's appointment to any office or place of profit in IDBI Bank, its Subsidiary Company or Associate Company; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the company:



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Explanation

(a) the expression “office or place of profit” means any office or place-

(i) where such office or place is held by a Director of IDBI Bank, if the Director holding it receives from IDBI Bank 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 IDBI Bank or its Subsidiary or Associate Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(2) In terms of Regulation 2(1)(zc) of the SEBI (LODR) Regulations, 2015

A related party transaction is a transfer of resources, services or obligations between IDBI Bank and a related party, regardless of whether a price is charged and a ‘transaction’ with a Related Party shall be constructed to include single transaction or a group of transactions in a contract.

III. How to deal with Related Party Transactions in IDBI Bank –

(1) In case a Related Party Transaction is entered into by IDBI Bank, it will always be entered on an Arms’ Length Basis treating the related parties as unrelated so that there is no conflict of interest.

(2) All Related Party Transactions proposed to be entered into by IDBI Bank shall require prior approval of Audit Committee of Board before execution of



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any agreement with the said related party to be obtained by concerned dealing vertical entering into the RPT. Further, a consolidated report of all the Related Party Transactions already entered into by the bank shall be regularly brought to Audit Committee Meeting for approval, which would be deemed to be sufficient compliance of Regulation 23(2) of the SEBI (LODR) Regulations, 2015.

(3) The Audit Committee of Board may grant omnibus approval for Related Party Transactions proposed to be entered into by IDBI Bank subject to the following conditions:

- a. The Audit Committee of Board shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of IDBI Bank and such approval shall be applicable in respect of transactions which are repetitive in nature;
- b. The Audit Committee of Board shall satisfy itself the need for such omnibus approval and that such approval is in the interest of IDBI Bank;
- c. Such 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 of Board may deem fit;

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee of Board may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction.

- d. Audit Committee of Board shall review, at least on a quarterly basis,



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the details of RPTs entered into by IDBI Bank pursuant to each of the omnibus approval given.

- e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year
 - f. However, the provisions contained in this Para (2) (a) to (e) shall not be applicable to transactions between IDBI Bank and a Wholly Owned Subsidiary whose accounts are consolidated with that of IDBI Bank and placed before the shareholders at the General Meeting for approval.
- (4) All Material Related Party Transactions, viz., transaction(s) to be entered individually or taken together with previous transactions during a financial year which exceed 10% of the annual consolidated turnover of IDBI Bank as per the last audited financial statements, shall have to be approved by the Shareholders through a Resolution and the related parties shall abstain from voting on such resolutions whether the entity is a Related Party to particular transaction or not. Provided that this requirement shall not apply to transactions between IDBI Bank and a wholly owned subsidiary whose accounts are consolidated with that of IDBI Bank and placed before the Shareholders in General Meeting for approval.
- (5) All Related Party Transactions which are not in the ordinary course of business and not on an Arms Length Basis, will require consent of the Board. These transactions will also require prior approval of the Shareholders through a Resolution in case they exceed the limits of sums prescribed under Rule 15 of the Companies (Meetings of Board and its powers) Rules, 2014 as reproduced below :
- (a) All contracts or arrangements with respect to clauses (a) to (e) of Para II above with criteria, as mentioned below –
 - (i) sale, purchase or supply of any goods or materials directly or



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through appointment of agents amounting to ten percent or more of the annual turnover of IDBI Bank or Rs.100 crore (Rupees one hundred crore), whichever is lower, as mentioned in clause (a) and clause (e) of Para II above;

- (ii) selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents amounting to ten percent or more of net worth of IDBI Bank or Rs. 100 crore (Rupees one hundred crore), whichever is lower, as mentioned in clause (b) and clause (e) respectively of Para II (1) above;
- (iii) leasing of property of any kind amounting to ten percent or more of the net worth of IDBI Bank or ten percent or more of turnover of IDBI bank or Rs.100 crore (Rupees one hundred crore), whichever is lower as mentioned in clause (c) of Para II (1) above;
- (iv) availing or rendering of any services directly or through appointment of agents amounting to ten percent or more of the turnover of IDBI Bank or Rs. 50 crore (Rupees Fifty crore), whichever is lower, as mentioned in clause (d) and clause (e) of Para II (1) above;

Explanation.- It is hereby clarified that the limits specified in sub clauses(i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with previous transactions during a financial year.

- (b) All contracts or arrangements for appointment to any office or place of profit in IDBI Bank, its Subsidiary company or Associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of Para II(1) above; or



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(c) is for remuneration for underwriting the subscription of any securities or derivatives thereof of IDBI Bank exceeding one percent of the net worth as mentioned in clause (g) of Para II(1) above.

Explanation. - (i) The Turnover or Net Worth referred to above shall be on the basis of the Audited Financial Statement of the preceding financial year.

(ii) In case of wholly owned Subsidiary, the special resolution passed by IDBI Bank shall be sufficient for the purpose of entering into the transactions between wholly owned Subsidiary and IDBI Bank.

(iii) The explanatory statement to be annexed to the notice of a general meeting convened pursuant to Section 101 of the Companies Act, 2013 shall contain the following particulars namely:-

- (a) name of the related party;
- (b) name of the director or key managerial personnel who is related, if any;
- (c) nature of relationship;
- (d) nature, material terms, monetary value and particulars of the contract or arrangement;
- (e) any other information relevant or important for the members to take a decision on the proposed resolution.

(6) All Related Party Transactions as at (3) and (4) above will be disclosed in the Directors Report alongwith the justification for entering into these transactions.

(7) Details of all Material Related Party Transactions shall be disclosed quarterly to Stock Exchanges alongwith the Compliance Report on Corporate Governance.



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(8) The Policy on Related Party Transactions shall be put on the website of IDBI Bank and a web link thereto shall be provided in the Annual Report.

(9) Non-compliance of the provisions of Section 188 of the Companies Act, 2013 on Related Party Transactions shall attract penalties provided under sub-sections (3), (4) and (5) of the said Section 188.

IV List of Relatives as provided in the Companies Act, 2013 is at Annexure-I. A check-list in a simplified and easy to understand language to be used by the concerned Departments of IDBI Bank while determining and dealing with Related Party Transactions is given at Annexure-II and a Dos and Don'ts for Directors and KMPs of IDBI Bank, vis-à-vis, Related Party Transactions is given at Annexure-III.



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ANNEXURE – I

Relatives under Section 2(77) of the Companies Act, 2013

Section 2(77) : “relative” with reference to any person, means anyone who is related to another, if –

- i) they are members of a Hindu Undivided Family;
- ii) they are Husband and Wife; or
- iii) one person is related to the other in such a manner as may be prescribed;

As per Rule 4 of Companies (Specification of Definitions Details) Rules, 2014

Rule 4 : List of Relatives in terms of Section 2(77) - A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-

- 1) Father including Step father,
- 2) Mother including Step mother,
- 3) Son including Step son,
- 4) Son’s wife,
- 5) Daughter,
- 6) Daughter’s husband,
- 7) Brother including Step brother,
- 8) Sister including Step sister



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ANNEXURE – II

**Check-list to determine whether a Transaction is a Related Party Transaction
and Subsequent Action to be taken by Departments of IDBI Bank**

- (i) The transaction will be with Related Party in case it is with any of the following :-
- With any Director of IDBI Bank;
 - With any Relative of a Director;
 - With any KMP or Relative of a KMP of IDBI Bank;
 - With any Firm in which Director of IDBI Bank or his relative is a Partner;
 - With any Private Company in which a Director of IDBI Bank is a Member or Director;
 - With a Public Company in which a Director of IDBI Bank is a Director and additionally holds alongwith his relative(s) 2% or more paid-up share capital of Public Company;
 - With LIC, the Holding Company of IDBI Bank;
 - With a Subsidiary , step down subsidiary of LIC;
 - With a Subsidiary Company of IDBI Bank;
 - With an Associate Company of IDBI Bank in which IDBI Bank has more than 20% shareholding;
 - With a Body Corporate which is significantly influenced by a Director of IDBI Bank;
 - With a person who significantly influences a Director of IDBI Bank;
 - With a person who has control or significant influence over IDBI Bank;
 - Director or KMPs of IDBI Bank and their Relatives will be deemed to be Related Parties to Subsidiary and Associate Companies of IDBI Bank; and
 - With an Entity which is a Related Party under the applicable Accounting Standards.



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(ii) Following Transactions with above Related Parties will constitute Related Party Transactions :

- Sale, Purchase or Supply of any goods or materials by IDBI Bank;
- Selling or disposing off or buying any Property by IDBI Bank;
- Leasing of any Property by IDBI Bank;
- Availing or rendering of any services by IDBI Bank
- Appointment of any agent for purchase or sale of goods, materials, services or property by IDBI Bank;
- Any Related Party's appointment to any office or place of profit in IDBI Bank or its Subsidiary Company or its Associate Company (where IDBI Bank holds more than 20% shareholding);
- Underwriting the subscription of any securities or their derivatives of IDBI Bank by a Related Party.

(iii) In case a Transaction being entered into by a Department of IDBI Bank satisfies the test given above at point (i) and (ii) for being a Related Party Transaction, following actions to be ensured :

- To ensure that Related Party Transaction is entered on an Arm's Length Basis, i.e., treating the Related Party as unrelated and on a fair market transaction basis to avoid any conflict of interest.
- To take prior approval of Audit Committee of the Board in respect of all Related Party Transactions subject to further provisions as at Para III(2)(a) to (f) of the Policy on Related Party Transactions.
- In case a Related Party Transaction individually or taken together with previous Related Party Transactions during a financial year exceeds 10% of annual consolidated turnover of IDBI Bank, as per the last audited financial statements, it will fall under Material Related Party Transactions category



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and will require Shareholder's approval through Special Resolution subject to further provisions as at Para III(3) of the Policy on Related Party Transactions.

- In case a Related Party Transaction is not in the ordinary course of business and not on an Arm's Length Basis, it will require consent of the Board.
- In case a Related Party Transaction is not in the ordinary course of business and not on an Arm's Length Basis and exceeds the limits of sums prescribed under Para III(5) of the Policy on Related Party Transactions, it will also require prior approval of Shareholders through a Resolution.

Tentative Examples of Related Party Transactions pertaining to IDBI Bank

- Leasing of IDBI Bank's owned premises to LIC the Holding Company or its Group Companies or some Subsidiary or Associate Company of IDBI Bank or other Related Party or taking on lease premises owned by LIC, the Holding Company or its Group Companies or some Subsidiary or Associate Company of IDBI Bank or other Related Party.
- A contract or arrangement with LIC, the Holding Company or its Group Companies or a Subsidiary or Associate Company of IDBI Bank.
- A contract or arrangement with some Private Company in which IDBI Bank's Director is a Member or Director.
- Appointment of a Relative of a Director or KMP in IDBI Bank or a Subsidiary or Associate Company.
- Any contract or arrangement with an entity in which a relative of a Director or KMP is only an employee, will not constitute a Related Party Transaction.



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ANNEXURE – III

Dos and Donts for Directors and KMPs

(In respect of Related Party Transactions)

- (i) Directors and Key Managerial Personnel (KMPs) are informed that they themselves, their relatives (as per list given at Annexure I to the Policy) and following persons / entities shall be Related Parties to IDBI Bank :
- ❖ A Firm in which a Director (not a KMP who is CFO/CS) or his relative is a partner;
 - ❖ A Private Company in which a Director (not a KMP who is CFO/CS) is a Member or Director;
 - ❖ A Public Company in which a Director (not a KMP who is CFO/CS) is a Director and alongwith his relatives holds 2% or more paid-up share capital of the Public Company;
 - ❖ Any Body Corporate which is significantly influenced by a Director (not a KMP who is CFO/CS) and any person who significantly influences a Director (not a KMP who is CFO/CS);
 - ❖ An Entity which is a Related Party in terms of applicable Accounting Standards.
- (ii) Directors and KMPs are informed that they themselves and their relatives shall be deemed to be Related Parties with reference to Subsidiaries and Associate Companies of IDBI Bank.
- (iii) Directors and KMPs should disclose the details of Related Parties, i.e., list of their relatives and persons / entities as at (i) above to IDBI Bank. [For this purpose, Form MBP-1 alongwith list of relatives has already been obtained from Directors. Directors and KMPs should check periodically



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and update the disclosure by submission of fresh Form MBP-1 to IDBI Bank from time to time].

- (iv) Directors and KMPs should be alert and should proactively disclose to IDBI Bank in case they are aware that a Related Party Transaction in relation to them is taking place to ensure that the Related Party Transaction is entered on an Arm's Length Basis and is routed through the required channels, i.e., ACB/Board/Shareholders for approval. This is suggested in view of penalty provisions for Directors/KMPs given under Section 188(3), (4) and (5) of the Companies Act, 2013 reproduced at the end of these Dos and Donts.
- (v) Directors and KMPs should ensure that in case they themselves or any of their relatives is seeking an employment/office or place of profit in IDBI Bank or its Subsidiaries or its Associate Companies, it will be a Related Party Transaction and separate disclosure to this effect should be given to the above Companies to take care of compliance of prescribed legal provisions for Related Party Transactions.
- (vi) Directors and KMPs should not participate in discussions where any Related Party Transaction concerning them is being discussed in ACB or Board Meeting.
- (vii) Not to enter into Related Party Transaction with IDBI Bank other than on an Arm's Length Basis.
- (viii) Not to do anything contrary to the Policy on Related Party Transactions, relevant legal provisions and Dos for Directors and KMPs given above.



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Penalty Provisions under Section 188(3), (4) and (5) of the Companies Act, 2013:

Sub-Section (3)

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

Sub-Section (4)

Without prejudice to anything contained in sub-section (3), it shall be open to the company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

Sub-Section (5)

Any director or any other employee of a company, who had entered into or authorised the contract or arrangement in violation of the provisions of this section shall –

- (i) in case of listed company, be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both; and
- (ii) in case of any other company, be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees.