

Policy on Related Party Transactions



**Shares Section
Finance Department
Head Office
Kolkata**

(Last reviewed by the Board at its meeting held on 22.07.2024)

BACKGROUND

This 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), 2015 (SEBI LODR Regulations) with respect to related party transactions. The Board will review this policy from time to time, atleast once in three years as per SEBI LODR Regulations.

DEFINITIONS

"Arm's length transaction" "Arm's length transaction" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

"Associate" means an enterprise in which the Bank has significant influence and which is neither a subsidiary nor a joint venture of the Bank.

Explanation.—For the purposes of this clause, —significant influence means control of at least twenty per cent. of total share capital, or of business decisions under an agreement.

"Audit Committee of the Board (ACB)" ACB means a Committee of the Board constituted by the Board of Directors as per the guidelines of the Reserve Bank of India(RBI).

"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.

"Control" shall include the following :

- a) ownership, directly or indirectly, of more than one half of the voting power of the Bank;
- b) control of the composition of the board of directors of the Bank;
- c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the Bank.

"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)" 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.

"Material Related Party Transaction" means a transaction with a related party shall be considered as material if the transactions to be entered into individually or taken together during a financial year, exceeds rupees one thousand crore or ten percent of the annual consolidated turnover (total income) of the Bank as per the last audited financial statements of the Bank, whichever is lower.

"Policy" means Related Party Transaction Policy.

"Related Party" -Parties are considered to 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.

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, subsidiary, associates/joint ventures, Key Managerial Personnel and relatives of Key Managerial Personnel.

Note : Definition as per SEBI LODR Regulations - "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 listed entity;
or

(b) any person or any entity, holding equity shares ten per cent or more in the listed entity either directly or on a beneficial interest basis during the immediate preceding financial year;

shall be deemed to be a related party

"Relative" means the relative as defined under Section 45S of RBI Act, 1934 and the same is as under: (a) a person shall be deemed to be a relative of another, if and only, if -- (i) they are members of a Hindu undivided family or (ii) they are husband and wife; or (iii) the one is related to the other in the manner indicated in the List of relative below :-

1. Father
2. Mother (including step-mother)
3. Son (including stepson)
4. Son's wife
5. Daughter (including step-daughter)
6. Father's father
7. Father's mother
8. Mother's mother
9. Mother's father
10. Son's son
11. Son's son's wife
12. Son's daughter
13. Son's daughter's husband
14. Daughter's husband
15. Daughter's son

16. Daughter's son's wife
17. Daughter's daughter
18. Daughter's daughter's husband
19. Brother (including step-brother)
20. Brother's wife
21. Sister (including step-sister)
22. Sister's husband

"Subsidiary" means a company:

- (a) 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; or
- (b) of which the Bank controls either by itself and/or through one or more subsidiaries, the composition of its Board of Directors.

"Government company" means any company in which not less than 51% of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company".

APPLICABILITY

RELATED PARTIES:

Reserve Bank of India vide Circular No. RBI Circular DOR.ACC.REC.No.45/21.04.018/2021-22 dated 30.08.2021 and other regulatory guidelines advised the Banks that following are the related parties for a Bank for the purpose of compliance of Accounting Standard (AS) 18 on Related Party disclosures issued by ICAI.

- Parent
- Subsidiaries
- Associates/Joint Ventures
- Key Management Personnel (K M P) and Directors
- Relatives of KMP and Directors

At present our Bank do not have any subsidiaries. The Paschim Banga Gramin Bank sponsored by our Bank is treated as associate of our Bank. The Key Managerial Personnel (KMP) includes only the Whole Time Directors i.e. MD & CEO and Executive Director(s) of the Bank.

TYPE OF RELATED PARTY TRANSACTIONS TO BE COVERED

In line with RBI Circular DOR.ACC.REC.No.45/21.04.018/2021-22 dated 30.08.2021- Master Direction on Financial Statements - Presentation and Disclosures, the following transactions will be covered such as:

- Borrowings
- Deposit
- Placement of deposits
- Advances
- Investments
- Non-funded commitments
- Leasing/HP arrangements availed
- Leasing/HP arrangements provided
- Purchase of fixed assets
- Sale of fixed assets
- Interest paid
- Interest received
- Rendering of services
- Receiving of services
- Management contracts

TYPE OF RELATED PARTY TRANSACTIONS NOT TO BE COVERED

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

- transactions entered into between two government 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.

In view of the aforesaid exemption, the transactions with Bank's Sponsored RRBs are exempted from the applicability of this Related Party Transaction Policy as the Bank and RRBs falls under the definition of Government companies under Section 2 (45) of the Companies Act, 2013.

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 vide Circular No. DBOD.No.Dir.BC.14/13.03.00/2013-14 dated 01.07.2013 in respect of advances to directors. No approvals under this policy need to obtain for these transactions. However, necessary disclosures shall be made in Annual Report.

APPROVALS FOR RELATED PARTY TRANSACTIONS

All Related Party Transactions (RPTs) shall require prior approval of the Audit Committee of the Board (ACB). However, the ACB may grant omnibus approval for Related Party Transactions proposed to be entered into by the Bank subject to the following conditions:

- The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the Bank and such approval shall be applicable in respect of transactions which are repetitive in nature.
- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Bank;
- 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 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 Rs.1 crore per transaction.

- 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.

- 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 shall require approval of the shareholders through 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.

PROCEDURE FOR SEEKING APPROVAL OF RELATED PARTY TRANSACTIONS

Key Managerial Personnel is responsible for providing the information about the details of the related party transactions to the Board Secretariat at Head Office. The concerned office/branch entertaining the related party transaction shall also submit to the Board Secretariat at Head 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.

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 recuse 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.

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 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:

- 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.

- 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.

SECRECY PROVISIONS

In terms of Accounting Standard 18, the disclosure requirements do not apply in circumstances when providing such disclosures would conflict with the reporting Bank's duties of confidentiality as specifically required in terms of statute, by regulator or similar competent authority. Further, in case a statute or the RBI or a similar competent authority governing the Bank prohibit 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. It is clear from the above that bank is obliged by the law to maintain confidentiality in respect of the customers' transactions and the accounting standard 18 would not override the obligation of the Bank to preserve the confidentiality of customers' dealings.

DISCLOSURES

Pursuant to provisions of SEBI LODR Regulations, Bank is required to disclose to the Stock Exchanges the details of all transactions with related parties quarterly along with the compliance report on corporate governance. The policy on dealing with Related Party Transactions is also required to be disclosed on Bank's website and a web link thereto to be provided in the Annual report. Details of contract(s) or arrangement(s) with related parties shall be disclosed in the Annual Report of the Bank along with the justification. Further, Bank is required to make disclosure of related party transactions every six months within fifteen days from the date of publication of its financial results. With effect from 01.04.2023, Bank is required to make such disclosures every six months on the date of publication of financial result.

The Reserve Bank of India vide its RBI Circular DOR.ACC.REC.No.45/21.04.018/2021-22 dated 30.08.2021- Master Direction on Financial Statements - Presentation and Disclosures, 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 prescribed by RBI for the AS 18 is annexed as Annexure -1. The Disclosures shall be made in accordance with this Policy.

AMENDMENT

Any subsequent amendment / modification in the SEBI LODR Regulations or the Act or any other governing Act/Rules/Regulations or re-enactment, impacting the provisions of this Policy, shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be modified and/or amended to that extent, even if not incorporated in this Policy.
