

# Suryoday Small Finance Bank Limited

## Related Party Transaction Policy

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## 1. Introduction

The Related Party Transactions (“RPTs”), if any, cause the conflicts of interest, therefore, requires a transparent policy for dealing with the RPTs to safeguard the interest of the company, its shareholders and other stakeholders.

The provisions of the Companies Act, 2013 (the “Act”) read with the Rules framed thereunder and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”), as amended from time to time, the Accounting Standards issued by the Institute of Chartered Accountants of India, provide for approval of certain related parties transactions by the Audit Committee/ the Board of Directors / the Shareholders.

SEBI Listing Regulations further requires a company to formulate a policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions.

In view of the above, Suryoday Small Finance Bank Limited (the “Bank”) has framed this Policy on Related Party Transactions (“RPT Policy”) for reviewing, approving RPTs and providing disclosures with respect to the above transactions, as may be applicable.

## 2. Objectives

The objective of this policy is to ensure appropriate reporting(s), approval(s) and disclosure(s) RPTs, as applicable, between the Bank and any of its related parties, in a transparent manner.

The key objectives of this Policy are as under:

- Ensure due and timely identification of Related Party Transactions (RPTs)
- Ensure that transactions between the Bank and its related parties happens at arm’s length and are based on principles of transparency.
- Ensure prevention of conflict of interests and providing guidance in situations of potential conflict of interests in any transactions that the Bank may have with related parties.
- Set out the materiality thresholds for related party transactions & subsequent modifications thereof and
- Define a mechanism for seeking of the requisite approval (i.e., Audit Committee / the Board of Directors / the Shareholders) for RPTs

## 3. Applicability

This Policy applies to transactions between a reporting enterprise, i.e. the Bank and its related parties. This Policy shall be applicable to transactions undertaken by the Bank with:

- Any member of the Board of the Bank and/or their Relatives.
- Any Key Managerial Personnel (KMP) of the Bank and/or their Relatives; and
- Other Related Parties as per applicable laws.

## 4. Definitions

Key Term	Explanation
“Act”	Means the Companies Act, 2013 and includes any amendment thereto.
“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 Company”	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. Explanation of significant influence “significant influence” means control of at least twenty percent of total share capital, or of business decisions under an agreement.
“Audit Committee”	Means the Audit Committee constituted by the Board of Directors of the Bank in accordance with applicable law, including the Listing Regulations (as applicable) and the Act.
“Board”	Means the Board of Directors of Suryoday Small Finance Bank Limited
“Control”	Shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. As per Ind AS 24, <i>Control</i> is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
“Joint Control”	As per Ind AS 24, means the contractually agreed sharing of control over an economic activity.
“Joint Venture”	Means a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control
“Key Managerial Personnel”	Means Key Managerial Personnel as defined under the Act, viz i) The Managing Director or the Chief Executive Officer or the manager and in their absence, a whole-time director ii) The Company Secretary, and iii) The Chief Financial Officer iv) Such other officials as may be prescribed under the Act. As per Ind AS 24, <i>Key management personnel</i> are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.
“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, 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 Bank anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.
“Ordinary Course of Business”	Includes but is not limited to activities that are necessary, normal, and incidental to the business of the Bank. These are common practices and customs of commercial transactions. The ordinary course of business covers the usual transactions, customs and practices related to the business.
“Related Party”	Means a person or entity that is related to the Bank as defined under Section 2(76) of the Companies Act, 2013 or under Regulation 2 (1) (zb) of the SEBI Listing Regulations as may be amended from time to time.
“Related Party Transaction”	Means a transaction with a Related Party under the relevant provisions of the Act, SEBI Listing Regulations, or any relevant Accounting Standards, as amended from time to time.
“Material Related Party Transaction”	Means a transaction with a related party whether entered into individually or taken together with previous transaction(s) during a financial year, the value of which exceeds rupees one thousand crore or ten percent of the annual consolidated turnover of the Bank as per the last audited financial statements of the Bank, whichever is lower.

	Provided that a transaction related to brand usage or royalty shall be considered material if the transaction/transactions to be entered into individually or taken together with previous transactions with a Related Party during a financial year, exceed five percent of the consolidated annual turnover of the Company as per the last audited financial statements of the Company.
“Material Modifications of Related Party Transaction”	In relation to the company means and include any modification to an existing related party transaction having variance of 10% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.
“Relative”	Means a relative as defined under the Act and the RBI Guidelines and includes anyone who is related in any of the following manner: <ul style="list-style-type: none"> <li>a. Members of a Hindu undivided family</li> <li>b. Husband or wife</li> <li>c. Father (including stepfather)</li> <li>d. Mother (including stepmother)</li> <li>e. Son (including stepson)</li> <li>f. Son’s wife</li> <li>g. Daughter (including stepdaughter)</li> <li>h. Daughter’s husband</li> <li>i. Brother (including stepbrother) or</li> <li>j. Sister (including stepsister)</li> <li>k. Brother’s wife</li> <li>l. Sister’s husband</li> <li>m. Brother (including stepbrother) of the spouse</li> <li>n. Sister (including stepsister) of the spouse</li> </ul>
“Subsidiary”	Means a subsidiary as defined under sub-section (87) of section 2 of the Companies Act, 2013.
Any words used in this policy but not defined herein shall have the same meaning ascribed to it in the Act or Rules made thereunder, SEBI Act or Rules and Regulations made thereunder, SEBI Listing Regulations, Indian Accounting Standards or any other relevant legislation / law applicable to the Bank.	

### 5. Identification of Potential Related Party Transactions

Every Director and Key Managerial Personnel of the Bank will be responsible for providing a declaration to the Bank containing the following information on his/her appointment as Director/ KMP in the Bank and thereafter, on annual basis or wherever there is any changes:

- Names of his / her relatives.
- Names of Partnership firms in which he / she or his / her relative is interested as a partner, manager, employee, or guarantor.
- Names of Companies in which he/ she is a member or Director, managing agent, manager, employee, or guarantor or in which he/she holds substantial interest.
- Names of body corporates whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with the Director’s advice, directions, or instructions; and
- Names of companies in which not less than 25% of the total voting power is exercised or controlled by a Director or by two or more Directors of the Bank together.

Every Director and Key Managerial Personnel will also be responsible to update the Bank of any changes in the above relationships, directorships, holdings, interests and / or controls immediately on him / her becoming aware of such changes.

The Company Secretary and / or Secretarial Department shall prepare and maintain the database of Related Parties based on aforesaid information/ declarations including any revisions therein.

The aforesaid list shall be circulated to the MD/CFO/Department Heads/ Branch Heads, the Finance and Accounts Department and Statutory Auditors to enable identification of any transaction with such related parties.

Any change in the Related Party List shall be brought into the Notice of all the aforesaid persons/teams of the Bank for the same purpose.

The vendor agreements entered by the Bank should mention that the contract would be subject to requisite approvals in case of any related party involvement.

#### **5.A Transactions with Related Parties not requiring approval/ requiring Omnibus approval:**

Subject to exceptions provided under SEBI Listing Regulations and the Act, all Related Party Transactions and subsequent material modifications thereto shall require prior approval of the Audit Committee or such other Authority as prescribed under the said Regulations / the Act.

A Related Party Transaction to which the unlisted subsidiary (ies) of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken Amended and effective April 1, 2022 together with previous transactions during a financial year exceeds ten percent of the consolidated annual turnover of the Company as per the last audited financial statements of the Company.

## **6. Approval for Related Party Transactions**

### **Procedure for seeking approval of Related Party Transactions**

#### **6.1 AUDIT COMMITTEE**

Every transaction with a Related Party [other than appointment and / or remuneration of a whole-time director which shall be dealt with by the Nomination and Remuneration Committee and will be subject to the approval of Board of Directors of the Bank and other approvals as required] shall be subject to the prior approval of the Audit Committee of the Board (ACB) whether at a meeting or by resolution by way of circulation.

Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the related party transaction.

The Audit Committee shall be provided with all relevant information of the Related Party Transaction(s) including the terms of the transaction, the business purpose of the transaction, the benefits to the Bank and to the Related Party, and more specifically shall cover the following:

- the name of the related party and nature of relationship.
- the nature, duration of the contract and particulars of the contract or arrangement.
- the material terms of the contract or arrangement including the value, if any.
- any advance paid or received for the contract or arrangement, if any.
- the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract.
- whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors.
- the persons/authority approving the transaction; and
- any other information relevant or important for the Committee to take a decision on the proposed transaction

The Audit Committee shall, after considering the information placed before them, judge if the transaction is in the ordinary course of business and meets the arm's length requirements.

A Related Party Transaction which is not in the ordinary course of business or not at arm's length would require the approval of the Board of Directors or of the shareholders of the Bank as applicable.

**OMNIBUS APPROVAL FROM AUDIT COMMITTEE:**

The Audit Committee may grant omnibus approval for related party transactions which are repetitive or recurring in nature, subject to such conditions as it may deem necessary and such omnibus approval shall be valid for a period of one year.

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;

The Audit Committee shall review on a quarterly basis the aforesaid Related Party Transactions entered by the Bank pursuant to each of the omnibus approvals given.

Notwithstanding any approval as mentioned above, any credit facility or any loan or advances to be granted to, any related party would require the requisite approvals under the Credit Policy of the Bank.

For related party transactions rejected by the Audit Committee, the Committee's rationale/recommendations shall be put forth to the Board, if required under the Act or SEBI Listing Regulations.

**6.2 BOARD'S APPROVAL:**

All transactions specified under Section 188 of the Act shall require approval of the Board of Directors. However, no approval of the Board shall be required for transactions with related parties if such transactions are entered into by the Company in its ordinary course of business and on arm's length basis. Approval of the Board shall also be required for Related Party Transactions, which are intended to be placed before the shareholders for prior approval and such other transactions as referred to the Board by Audit Committee.

In case any related party transactions are referred by the Audit Committee to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, the Board will consider factors such as nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to the transaction terms as it deems appropriate under the circumstances.

Any member of the Board who has any interest in any related party transaction will recuse himself and abstain from discussion and voting on the approval of the related party transaction(s).

All related party transactions falling under the purview of section 188(1) of the Act shall also be referred to in the Board's Report to its shareholders along with the justification for such transactions.

**6.3 SHAREHOLDERS' APPROVAL:**

Subject to the exceptions provided under SEBI Listing Regulations, all material Related Party Transactions and subsequent material modifications thereof shall require prior approval of the shareholders of the Bank. No related party with respect to the Bank shall vote to approve such resolutions.



Transactions with related parties which are not in the ordinary course of business or at arm's length basis and exceeds the ceiling provided under rule 15 of Companies (Meeting of Board and its Powers) Rules, 2014 (as amended) read with Section 188 of the Act shall require prior approval of shareholders of the Bank subject to exceptions provided under the Act.

Whenever threshold for obtaining approval of the Audit Committee, Board or the Shareholders changes with amendment in the Act or SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 or any relaxation is granted in terms of applicability or effective date, then, irrespective of what is stated above, said amended threshold or relaxations become applicable to the Company and the Audit Committee shall be informed.

### **7. Transactions with Related Parties not requiring approval**

The following transactions covering banking products / services which are in the normal course of banking business [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 Party' do not require the specific approval of ACB/ Board provided these transactions are entered in the ordinary course of banking business and at 'arm's length' price under the general or specific product programs and /or policies approved by the Bank / its Board of Directors :

- Opening savings/ current bank accounts, term deposits and interest earned thereon provided that deposits are accepted at prevalent interest rates that are applicable to other customers of the Bank and are in compliance of extant RBI guidelines.
- Sale of wealth or insurance products as approved by the RBI.
- Extending other banking services such as remittances etc.

### **8. Related Party Transactions without the prior approval under this Policy**

In the event the Bank becomes aware of a Transaction with a Related Party that has not been approved under this Policy prior to its consummation, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Audit Committee as promptly and as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this Policy.

The Audit Committee shall consider all the relevant facts and circumstances regarding the Transaction and shall evaluate all options available to the Bank including ratification, revision, or termination of the Transaction.

The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the 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 of the transaction,

seeking approval of the shareholders, payment of compensation for the loss suffered by the related party, etc.

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.

## 9. Regulatory restrictions for transactions with Directors and their relatives:

Notwithstanding contained in this Policy, the restrictions laid down by section 20(1) of the Banking Regulation Act, 1949 on loans and advances to the directors and the entities in which they hold substantial interest shall apply.

Further, the provisions of RBI Master Circular no. DBR.No.Dir.BC.10/13.03.00/2015-16 July 1, 2015 on Loans and Advances – Statutory and other restrictions shall apply to all loans and advances granted/ to be granted by the Bank, the details of which are covered in the Credit Policy of the Bank.

## 10. Disclosures

10.1 The Reserve Bank of India, vide its Master Circular No. DBOD BP.BC. 8/21.04.018/2014-15 dated July 1, 2014, has prescribed the manner in which the disclosures are to be made in the Financial Statements of the Banks in respect of transactions with Related party as envisaged under the Accounting Standard 18. The format of disclosure by banks for AS 18, as suggested by RBI, is annexed as Annexure I. The said disclosure will inter alia include transactions with Related parties covering borrowings, deposits, advances, investments, purchase / sale of fixed assets, lease transactions, interest paid / received and receipts / payments towards receiving / rendering services, respectively.

10.2 The Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered by the Bank pursuant to each of the omnibus approval given. The Audit Committee shall also review the statement of all related party transactions entered by the Bank on a quarterly basis.

10.3 Details of all contract(s) or arrangement(s) entered into with related parties have to be disclosed in the Board's Report along with the justification for entering into such contract(s) or arrangements. The same shall be placed before Audit Committee for its review and then to the Board as part of Directors' Report.

10.4 The Bank shall keep a register in the prescribed form giving the particulars of all contracts or arrangements in such manner and containing particulars duly authenticated by the authorized official of the Secretarial Department and thereafter the same shall be placed before the next meeting of the Board.

10.5 Disclosures, as required by the SEBI Listing Regulations as and to the extent applicable, shall be made by the Bank in the appropriate manner.

10.6 The Bank shall disclose the Policy on Related Party transactions on its website and web-link shall be provided in the Annual Report.

*(Refer Annexure I)*

## 11. Confidentiality Obligations

Related party disclosure requirements as laid down as per Accounting Standard 18 until Indian Accounting Standard (Ind AS) - 24 becomes applicable, do not apply in circumstances where providing such disclosures would conflict with the reporting entity's duties of confidentiality as specifically required in terms of a statute or by any regulator or similar competent authority.

In case a statute or a regulator or a similar competent authority governing the Bank prohibits the Bank to disclose certain information which is required to be disclosed as per the above referred standard, disclosure of such information is not warranted.

## 12. Record Keeping

All the documents and records as applicable will be maintained as per Policy on Preservation of Records

## 13. Policy Review and Updates

The policy shall be reviewed as and when required or at least annually for incorporating regulatory updates and changes, if any. The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy. In case of any conflict between this Policy and applicable law(s), the applicable law(s), as existing on the date of the concerned transaction, shall prevail.

## 14. Regulatory References

- Companies’ Act, 2013
- Banking Regulation Act, 1949
- SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
- Accounting Standard 18 by ICAI
- Indian Accounting Standard (Ind AS 24) – Related Party Disclosures
- RBI Master Circular on ‘Disclosure in Financial Statements – Notes to Accounts’ dated July 1, 2015
- RBI Master Circular – Loans and Advances – Statutory and Other Restrictions dated July 1, 2015

## 15. ANNEXURE I

The Bank shall disclose the name and nature of related party relationship, irrespective of whether there have been transactions, where control exists. The disclosures may be limited to aggregate for each of the above related party categories and as indicated in the format below:

Items/ Related Party	Associates/ Joint Ventures	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings				
Deposits				
Placement of Deposits				
Advances				
Investments				
Non-funded commitments				
Leasing / HP arrangements availed				
Purchase of Fixed Assets				
Sale of fixed assets				
Interest paid				
Interest received				
Rendering of services				
Receiving of services				
Management contracts				