



**POLICY ON MATERIALITY OF AND DEALING WITH  
RELATED PARTY TRANSACTIONS**

**OF**

**THE SOUTH INDIAN BANK LIMITED**

Confidential

Version 1.0

25<sup>th</sup> November, 2014

## **1. TITLE:**

This Policy shall be called 'Policy on materiality of Related Party Transactions and dealing with Related Party Transactions'. This policy shall come into force with effect from 1st October, 2014 and shall be applicable to transactions made with:

- (a) Board of Directors & their Relatives;
- (b) Key Managerial Personnel (KMP) of the Bank & their Relatives; and
- (c) Related Parties, as defined in section 2(76) of the Companies Act, 2013/ Clause -49 (VII) (B) of Listing Agreement and under applicable accounting standards

## **2. LEGAL FRAMEWORK:**

Related Party Transactions have been one of the major areas of focus for the corporate governance reforms being initiated by Indian legislature. Securities and Exchange Board of India vide circular No. CIR/CFD/POLICY CELL/2/2014 DATED 17 April 2014 read with circular No. CIR/CFD/POLICY CELL/7/2014 September 15, 2014 has amended clauses 35B and 49 of the Listing Agreement. In terms of Clause 49 VII C of the Listing Agreement for Equity, it is mandatory for the listed entities to formulate a policy on materiality of Related Party Transactions and also dealing with Related Party Transactions. This policy is accordingly formulated to regulate transactions between the Bank and its Related Parties based on the applicable laws and regulations applicable on the Bank.

## **3. OBJECTIVE:**

This policy is intended to ensure proper approval and reporting of transactions between the Bank and any of its related party/ies in the best interest of the Bank and its Stakeholders. The Policy aims at addressing issues of conflict of interest which might arise in dealing between the Bank, KMPs and its Related Parties.

## **4. DEFINITIONS:**

“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.

“Audit Committee” means the audit committee constituted by the Board of Directors of the Company in accordance with applicable law, including the listing agreement and the Companies Act, 2013.

“Board” means the Board of Directors of The South Indian Bank Ltd.

“Company” means The South Indian bank Ltd.

“Material Related Party Transaction” means a transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions with a Related Party 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.

“Policy” means this Policy, as amended from time to time.

“Related Party” in relation to the Company means a party related with the Company in any of the ways as are laid down in section 2(76) of the Companies Act, 2013 and clause 49 of the listing agreement as amended from time to time read with Rule 4 of Companies (specification of definitions details) Rules, 2014, Clause -49 (VII) (B) of Listing Agreement and under applicable accounting standards and includes:

- a) a director or his relative;
- b) a key managerial personnel or his relative;
- c) a director or KMP of holding Company,
- d) a firm, in which a director, manager or his relative is a partner;
- e) a private company in which a director or manager is a member or director;
- f) a public company in which a director or manager is a director or holds with his relatives, more than two per cent of its paid-up share capital;
- g) A 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
- h) Any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (g) and (h) shall apply to the advice, directions or instructions given in a professional capacity.

i) Any company which is—

- a holding, subsidiary or an associate company of such company; or
- a subsidiary of a holding company to which it is also a subsidiary

j) Such other person, as may be prescribed by MCA/SEBI/Accounting Standards.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions.

“Related Party Transaction” in relation to the Company means a transaction with a Related Party under the relevant provisions of the Companies Act, 2013 or the listing agreement or any other related law, regulation, standard etc.

“Relative” means 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. Members of HUF
2. Spouse
3. Father (includes step-father).
4. Mother (includes the step-mother).
5. Son (includes the step-son).
6. Son’s wife
7. Daughter
8. Daughter’s husband
9. Brother (includes the step-brother).
10. Sister (includes the step-sister).

And includes a person defined under section 2(77) of the Companies Act read with Rule 4 of Companies (specification of definitions details) Rules, 2014).

## **5. APPROVAL OF RELATED PARTY TRANSACTIONS:**

Every Related Party Transaction entered into with effect from 1st October 2014 shall be subject to approval of the Audit Committee. The approval of the Audit Committee can be granted by way of a circular resolution.

The Board shall approve such Related Party Transactions as are required to be approved under Companies Act, 2013 and/or listing agreement and/or transactions referred to it by the Audit Committee.

Where any director is interested in any Related Party Transaction, such director will abstain from discussion and voting on the subject matter of the resolution relating to such Transaction. Further, all Material Related Party Transactions shall require approval of shareholders of the Company through special resolution (unless it is exempted pursuant to the provisions of listing agreement) and the Related Parties shall abstain from voting on such resolution(s).

All Related Party Transactions (other than Material Related Party Transactions) pursuant to section 188 of the Companies Act, 2013 which are not in the ordinary course of business or not an Arms’ length transaction and cross the threshold limits prescribed under Companies Act, 2013 shall also require the approval of shareholders of the Company through special resolution and the Related Parties shall abstain from voting on such resolution(s).

The approval mechanism for Related Party Transactions shall be as stipulated in the provisions of listing agreement and/or Companies Act, 2013 and as amended from time to time.

## **6. AMENDMENTS:**

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.

## **7. DISCLOSURE:**

- a) Details of contract(s) or arrangement(s) have to be disclosed in the Board's Report along with the justification. The same shall be placed before Audit Committee for its review and then to the Board as part of Directors' report for approval.
- b) 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 Investor Service Department and thereafter the same shall be placed before the next meeting of the Board.
- c) Necessary disclosures be made in the Annual Financial Statements as required under AS 18 and RBI guidelines. Further, as required under Clause 49 of Listing Agreement, necessary details of all materially significant related party transactions', which may have potential conflict with the interests of the Bank at large, be also given in 'Report on Corporate Governance' section in Annual Report.
- d) Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on Corporate Governance.
- e) The Bank shall disclose the policy on dealing with Related Party Transactions on its website and also in the annual Report by way of a web link as required by applicable laws, rules and regulations.
- f) All Related Party Transactions that are required to be disclosed in the Bank's filings with the Stock Exchange, as required by the Listing Agreement and related rules and regulations, shall be so disclosed in accordance with such laws, rules and regulations.

## **8. 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 Investor Services Department or any other person authorized by the Board for the purpose.

## **9. INTERPRETATION:**

- a) Any words used in this policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made there under, SEBI Act or Rules and Regulations made there under, Listing Agreement, Accounting Standards or any other relevant legislation / law applicable to the Company.
- b) In case of any dispute or difference upon the meaning/interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final. In interpreting such term / provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.