



IndusInd Bank

Policy on Related Party Transactions

IndusInd Bank Limited

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1. Background

- 1.1. The Board of Directors of the Company, on the recommendation of the Audit Committee, has adopted the Policy on Related Party Transactions (RPT Policy) which has been formulated pursuant to Regulation 23(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR), and in compliance with provisions of Sections 177, 188 and other applicable provisions of the Companies Act, 2013 (the Act) and Rules made thereunder, as amended from time to time.

2. Objective

- 2.1. The objective of the Policy is to ensure proper approval, review, disclosure and reporting of transactions between the IndusInd Bank Limited (the Bank), its subsidiaries and their related parties.
- 2.2. This Policy aims at preventing situations of potential conflict of interests in the execution of transactions involving related parties.

3. Definitions and Meanings

- 3.1 “Related Party” shall be as per definitions under the following:
- Section 2(76) of the Act
 - Clause (zb) of Regulation 2(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.
 - Accounting Standard 18 issued by the ICAI
 - RBI Guidelines on compliance with Accounting Standards (AS) by banks, 2003

Based on the above regulations, the Related Parties include:

- Director or his relative;
- Key Managerial Personnel or his relative;
- Firm, in which a director, manager or his relative is a partner;
- Private company in which a director or manager or his relative is a member or director;
- Public company in which a director or manager is a director and holds along with his relatives, more than 2% of its paid-up share capital;
- Any body corporate whose Board of Directors (BOD), managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager (except, where provided in professional capacity);
- Any person under whose advice, directions or instructions a director or manager is accustomed to act (except, where provided in professional capacity);

- Any, body corporate which is -
 - a holding, subsidiary, joint venture or an associate of such company; or
 - a subsidiary of a holding company to which it is also a subsidiary; or
 - an investing company or the venturer of the company;
- A director (other than an independent director) or KMP of the holding company or his relative;
- A related party as per accounting standard 18
- Any person or entity belonging to the promoter or promoter group of the Bank w.e.f April 1, 2022
- Any person or entity, holding equity shares:
 - Of 20% or more
 - Of 10% or more w.e.f April 1, 2023

3.2 “Key Managerial Person” in accordance with section 2(51) of the Act, Clause (o) of regulation 2(1) of SEBI LODR Regulations, 2015 and Para 10.8 read with Para 14 of AS 18, is as follows :

- Chief Executive Officer or the managing director or the manager
- Company secretary
- Whole-time director
- Chief Financial Officer
- Any person in accordance with whose directions or instructions the board of directors of the company is accustomed to act
- Such other officer as may be prescribed in the Act.

3.3 “Relative” in accordance with section 2(77) of the Act, Clause (zd) of regulation 2(1) of SEBI LODR Regulations, 2015 and Para 10.9 of AS 18 means the following:

- Members of a Hindu Undivided Family;
- Spouse
- Father (including step-father)
- Mother (including step-mother)
- Son (including step-son)
- Son’s wife
- Daughter
- Daughter’s husband
- Brother (including step-brother)
- Sister (including step-sister)

3.5 “Subsidiary company” or “subsidiary” means a subsidiary as defined under Section 2 (87) of the Act and AS 18.

3.6 “Associate company” as defined under Section 2(6) of the Act and AS 18.

3.7 “Promoter” shall in accordance with Clause (w) of Regulation 2(1) of SEBI LODR Regulations, 2015 mean a person

- who has been named as such in a draft offer document or offer document or is identified by the issuer in the annual return referred to in section 92 of the Act; or
- who has control over the affairs of the issuer, directly or indirectly whether as a shareholder, director or otherwise; or
- in accordance with whose advice, directions or instructions the board of directors of the issuer is accustomed to act:

Provided that nothing in sub-clause (iii) shall apply to a person who is acting merely in a professional capacity;

3.8 “Promoter group” shall in accordance with Clause (w) of Regulation 2(1) of SEBI LODR Regulations, 2015 mean

- the promoter;
- an immediate relative of the promoter (i.e., any spouse of that person, or any parent, brother, sister, or child of the person or of the spouse); and
- in case promoter is a body corporate:
 - a subsidiary or holding company of such body corporate;
 - any, body corporate in which the promoter holds twenty per cent. or more of the equity share capital; and/or any, body corporate which holds twenty per cent. or more of the equity share capital of the promoter;

3.9 “Related Party Transaction” shall be monitored in accordance with section 188 of the Act, Clause (zc) of SEBI LODR Regulations, 2015 and Para 10.2 of AS 18 and Section 19 and 20 of The Banking Regulation Act, 1949.

As per SEBI LODR (Sixth Amendment) Regulations, as amended from time to time, Related Party Transaction means :

- Any transaction involving a transfer of resources, services or obligations between the Bank or any of its subsidiaries on one hand and a related party of the Bank or any of its subsidiaries on the other hand, with effect from April 1, 2022
- Any transaction involving a transfer of resources, services, or obligations between the Bank or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Bank or any of its subsidiaries, with effect from April 1, 2023

3.10 “Audit Committee” means the Audit Committee of the Board (ACB) constituted by the Board of Directors of the Bank, from time to time.

3.11 “Arm’s length basis” in respect of a transaction, between two related parties means a transaction that is conducted as if the parties were unrelated so that there is no conflict of interest.

A transaction with a related party will be considered to be on arm’s length basis if the key terms, including pricing of the transaction taken as a whole, are comparable with those of similar transactions which would have been undertaken with unrelated parties.

For determination of arm's length basis, guidance can be taken from the provisions of Transfer Pricing under the Income Tax Act, 1961.

3.12 "Material Related Party transaction": A transaction with a related party shall be considered material, if the transaction(s) 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 the Bank as per the last audited financial statements of the Bank, whichever is lower.

Notwithstanding the above, a transaction involving payments made to a Related Party with respect to brand usage or royalty shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year exceed five per cent of the Annual Consolidated Turnover of the Bank as per the last audited financial statements of the Bank.

3.13 "Turnover" of the Bank, in accordance with Section 2(91) of the Act, means Total Income which is the aggregate of Interest Income and Other Income.

3.14 "Ordinary Course of Business" includes but is not limited to activities that are necessary, normal, and incidental to the business. The following factors are indicative of a transaction being in the ordinary course of business:

- The transaction is normal or otherwise unremarkable for the business;
- The transaction is frequent / regular;
- Transactions that are a standard industry practice, even though the Bank may not have done it in the past.
- The transaction is permitted under Memorandum and Articles of Association of the Bank.

The criteria listed above are not exhaustive, and the Bank will have to assess each transaction considering its specific nature and circumstances.

3.15 "Material Modifications": Any subsequent material modifications to approved related party transactions shall require prior approval. For this reason, Clause (a) of Regulation 23(2) of SEBI LODR Regulations, 2015, require material modifications to be defined by the Audit Committee and laid out in the Related Party Policy. For the purpose of this section, "Material Modifications" is defined as any variance in approved threshold by 25% or more of approved amount.

3.16 "Policy" means related party transaction policy

4 Identification of a Related Party

4.1 Every Director and Key Managerial Personnel of the Bank will be responsible for providing a disclosure containing information of respective related parties to the Company Secretary on semi-annual basis and of any change in the information already provided.

- 4.2 The Company Secretary shall maintain database of 'Related Parties' containing the names of individuals and companies identified, based on the definition of 'Related Party' and the declarations provided by the Directors and KMP. Company Secretary will also update the database of holding / parent company, subsidiary, associate, joint venture, investing party/venturer of Company, individuals having significant influence in the Bank, relatives of Individuals having significant influence in the Bank, promoters of the Bank, promoter group of the Bank, Person/entity holding shareholding beyond the threshold limit of 20% of Shareholding in the Bank (10% w.e.f. April 1, 2023) as specified in clause (zb) of Regulation 2(1) of SEBI LODR Regulations, 2015.
- 4.3 Company Secretary will intimate to the Management as soon as there are any changes in Related Parties of the Bank. The list of related parties shall be updated whenever necessary and reviewed promptly and be communicated to the Functional Departments.

5 Transactions with Related Parties

- 5.1 The Bank and its subsidiary's transactions with related parties can be classified into two broad categories:
- (a) The Bank or its subsidiary providing any of its product or service to a related party; and
 - (b) The Bank or its subsidiary procuring any product or service from a related party.
- 5.2 Following transactions covering banking products / services (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 parties) do not require the specific approval of ACB / Board, provided that these transactions are entered in ordinary course of banking business, at "arm's length" price under the general or specific product programmes and / or policies approved by the Bank.
- (a) All transactions which are in the normal course of banking business, other than extending a credit facility, can be undertaken with 'related parties', such as remittances, extending safe deposit locker facilities, providing foreign exchange, depository / demat services, sale of wealth products, etc.
 - (b) Accepting deposits from Related Parties, provided these deposits are accepted at the prevalent interest rates that are applicable to all other constituents and are subject to compliance with guidelines issued by RBI from time to time.
- 5.3 Any matter relating to appointment and/ or remuneration of Whole Time Directors/ MD or KMP shall be dealt with by the Nomination and Remuneration Committee.
- 5.4 Apart from the matter relating to appointment and / or remuneration of a Whole-Time Director and KMP, all other related party transactions (not exempted in (a) and (b) above) shall require prior approval of the Audit Committee. The Audit Committee can, subject to the parameters specified, grant omnibus approval valid for a period not exceeding one year.

- 5.5 While according approval, the Audit Committee shall ensure that the transactions with related parties are strictly governed by the principle of commercial prudence, i.e., the pricing or other terms and conditions of transactions with a related party shall not be less favourable to the Bank than similar transactions that are / would be entered into with an unrelated entity.
- 5.6 Any transaction which is not in the ordinary course of business of the Bank will be referred to the Board by the Audit Committee for prior approval. Depending on the facts and circumstances of the specific transaction and the applicable legislative / regulatory framework, it may require the approval of the shareholders, or need regulatory clearances.
- 5.7 Extension of a credit facility to a related party of the Bank shall, subject to regulatory restrictions, go through the normal credit approval grid of the Bank. Besides such approval, all credit facilities beyond an amount of Rs.10 crores to any of the related parties shall have to be referred to the Audit Committee for prior approval thereof, of the company.
- 5.8 Any contract or arrangement with a 'related party' that is not in the ordinary course of business of the Bank or is at a price that is not at arm's length, involving sale, purchase or supply of any goods or materials, selling or otherwise disposing of, or buying, property of any kind, leasing of property of any kind, availing or rendering of any services, appointment of any agent for purchase or sale of goods, materials, services or property, underwriting the subscription of any securities or derivatives thereof, of the company, will have to be approved by Board of Directors, subject to compliance with guidelines issued by Reserve Bank of India and / or provisions of the Act 2013.

6 Review and Approval of Related Party Transactions by Audit Committee, Board of Directors and Shareholders

6.1 Audit Committee Approval

- 6.1.1 All the transactions which are identified as related party transactions and any subsequent material modifications should be preapproved by the Audit Committee before entering into such transactions. The Audit Committee shall consider all relevant factors while deliberating the related party transactions for its approval.
- 6.1.2. Transactions between the Bank and its Wholly-Owned Subsidiary (WOS), the Accounts of which are consolidated with the Bank and placed before the shareholders in the General Meeting for approval do not require prior approval of the Audit Committee other than transactions is not covered in Section 188 of the Act.
- 6.1.3. Transactions between two Wholly-Owned Subsidiaries, the Accounts of which are consolidated with the Bank and placed before the shareholders in the General Meeting for approval do not require prior approval of the Audit Committee.
- 6.1.4 With effect from April 1, 2022, a related party transaction to which the subsidiary of the Bank is a party, but the Bank is not a party, shall require prior approval of the Audit

Committee of the Bank if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds twenty per cent of the annual consolidated turnover, as per the last audited financial statements of the Bank.

6.1.5 With effect from April 1, 2023, a related party transaction to which the subsidiary of the Bank is a party, but the Bank is not a party, shall require prior approval of the Audit Committee of the Bank if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

6.1.6 The Audit Committee may grant omnibus approval for related party transactions which are repetitive in nature and subject to certain criteria/conditions as required under Regulation 23 and Companies Rules, 2014, as amended from time to time and such other conditions as it may consider necessary in line with this policy and in the interest of the Bank. Such omnibus approval shall be valid for one financial year. Such transactions are to be reviewed on quarterly basis by the Audit Committee:

(a) The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Bank;

(b) The Audit Committee shall lay down the criteria for granting omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature;

(c) Such omnibus approval shall specify the following:

- Name of the related party;
- Nature of the transaction;
- Period of transaction;
- Maximum amount worth of transactions that can be entered into;
- Indicative base price / current contracted price and the formula for variation in the price, if any; and
- Such other conditions as the Audit Committee may deem fit.

6.1.7 In cases where the need for a related party transaction cannot be foreseen and / or details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction. Such transactions shall be ratified in the subsequent meeting of the Audit Committee.

6.2 Board Approval

6.1.1 Transactions shall be referred by the Audit Committee to the Board for approval if,
a) Transaction is not in the ordinary course of business or not at arm's length price.

b) Transaction is a material transaction and requires Shareholders' approval.

6.1.2 In case any Director is interested in any contract or arrangement with a related party, such Director shall abstain from the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

6.2 Shareholders' Approval

6.2.1 All related party transactions specified in section 188 which are not in the ordinary course of business or not at arm's length and which are in excess of the limits prescribed under the Act shall require approval of the Shareholders by way of a Resolution passed at the General Meeting of the Bank, and in such cases, the related party/ parties to the transaction shall abstain from voting on the related resolutions.

6.2.2 All 'material related party transactions' other than those with Wholly Owned Subsidiaries, shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is related party to the particular transaction or not.

6.2.3 In case of transactions referred to and approved by the Board, such approval shall be valid for a period of one year, except when such approval is obtained at an AGM, in which case the approval shall be valid upto the date of the next AGM for a period not exceeding fifteen months.

6.2.4 All entities falling under the definition of related parties shall not vote to approve the related party transactions irrespective of whether the entity is a party to the particular transaction or not.

7 Disclosures

7.1 This Policy will be communicated to all Directors and shall be disclosed on its website and a web-link shall be provided in the Annual Report.

7.2 In accordance with Regulation 23(9) of SEBI LODR, the Bank shall submit within 15 days from the date of publication of its Standalone and Consolidated Financial Results for the half year, the disclosures of related party transactions on a consolidated basis, in the format specified by the Board from time to time, for Annual Results to the stock exchanges and publish the same on its website. With effect from September 30, 2022, such disclosures shall be made on the date of publication of the standalone and consolidated results.

7.3 In accordance with Regulation 27(2)(b) of SEBI LODR, details of all material transactions with related parties shall be disclosed to Stock Exchanges at quarterly intervals, along with the Compliance Report on Corporate Governance in the format approved by the Board.

7.4 The Reserve Bank of India, vide its Master Circular No. DOR.ACC.REC.No.45/21.04.018/2021-22 dated August 30, 2021, has prescribed the manner in which the disclosures are to be made in the Financial Statements of banks in respect of transactions with related parties as envisaged under Accounting Standard 18.

7.5 Such further disclosure of related party transactions shall be made as may be prescribed by the Act or by SEBI LODR or any other regulatory authority or statute from time to time in such format as may be prescribed.

8 Review of the Policy

8.1 This Policy shall be reviewed by the Audit Committee / Board as and when necessary, and in any case at least once every three years, and shall be updated accordingly.

8.2 In case of any conflict in the Policy with the Act / Regulations, the provisions of the Act/ Regulations shall prevail.

9 Related Party Transactions not approved under this Policy

9.1 The Audit Committee shall consider all relevant facts and circumstances regarding the same and shall evaluate all options available to the Bank including ratification, revision or termination of the transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such transactions to the Committee under this policy and take such action as it deems appropriate.

9.2 In any case, where the Audit Committee decides not to ratify a transaction that has been done without its approval, the Audit Committee may direct additional actions including, but not limited to, discontinuation or recession of the transaction, payment of compensation for the loss suffered by the Bank or seeking the approval of the Board / Shareholders, etc. Such a transaction shall not be deemed to violate this Policy so long as post facto approval of Audit Committee, Board and / or Shareholders of the Bank is obtained as promptly and reasonably as practical.

9.3 In connection with any review of a transaction with a related party, the Audit Committee has the authority to modify or waive any procedural requirements of this policy.
