

Policy on Related Party Transactions

Division : **FINANCE**
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Policy Custodian

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Policy Version Control

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Policy Governance

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I. Policy Overview

1. Preamble

The Bank, being a listed entity is required to comply with the regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and guidelines issued by Securities Exchange Board of India (SEBI) from time to time, in this regard.

In terms of regulation 23 (1) of SEBI (LODR) Regulations, 2015, it is mandatory for all the listed entities to formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

2. Applicability

The policy shall be applicable to all related party transactions made with:

- (a) Board of Directors & their Relatives;
- (b) Key Managerial Personnel (KMP)* of the Company & their Relatives;
and
- (c) Related Parties, as defined hereinafter.

This policy shall remain valid for a period of three years up to 31st March 2023 or till the next review of policy pursuant to change in any regulatory guidelines.

II. Policy Details

II.I Policy Definition

In terms of regulation 23 of SEBI (LODR) Regulations, it is mandatory for all the listed entities to formulate a policy on Related Party Transactions (RPT), materiality of Related Party Transactions (RPT) and method of dealing with RPT. Accordingly, Bank has to frame the Policy on Related Party Transactions (RPTs), materiality of related party transactions and method of dealing with RPTs

II.II Policy Details

3. Definitions

(a) **“Audit Committee or Committee”** means the Audit Committee of Board of Directors of the Bank constituted pursuant to the directives of Reserve Bank of India.

(b) **“Board”** means the Board of Directors of the Bank in terms of section 9 (3) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970

(c) ***Key Managerial Personnel” as defined under Companies Act, 2013 means:**

- i) the Chief Executive Officer or the Managing Director or the Manager (as defined under Companies Act, 2013);
- ii) Whole-time director(s);
- iii) Chief Financial Officer;
- iv) Company Secretary; and
- v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- vi) such other Officer as may be prescribed.

(d) **“Relative”**

A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, as per Section 2(77) of the Companies Act and Rule 4 of Companies (specification of definitions details) Rules, 2014)

1. Members of HUF
2. Spouse
3. Father: Provided that the term “Father” includes step-father.
4. Mother: Provided that the term “Mother” includes the step-mother.
5. Son: Provided that the term “Son” includes the step-son.
6. Son’s wife
7. Daughter

8. Daughter's husband
9. Brother: Provided that the term "Brother" includes the step-brother.
10. Sister: Provided that the term "Sister" includes the step-sister.

(e) **"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.

(f) **"Associate Company"**: "Associate Company" means a company in which the Company has a significant influence, but which is not a subsidiary company of the company and includes a joint venture company.

Explanation.—"significant influence" means control of at least twenty percent of total share capital, or of business decisions under an agreement.

(g) **"Subsidiary company"** means a company in which the holding company – controls the composition of board of directors; or exercises or controls more than one half of the total share capital either at its own or together with one or more of its subsidiary companies.

And **"Material subsidiary"** shall mean a subsidiary, whose income or net worth exceeds 10% of the consolidated income or net worth respectively, of the Bank and its subsidiaries in the immediately preceding accounting year.

(h) **"Joint Venture"** means a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

(i) **"Control"**: The right or the ability to appoint majority of the directors or to control the management or policy decisions of the target company, exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

(j) **"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.

(k) Related Party

For the purpose of Regulation 2(1)(zb) of the LODR and for this Policy an entity shall be considered as related if:

- i. such entity is a related party under Section 2(76) of the Companies Act 2013; or
- ii. such entity is a related party under the applicable accounting standards
- iii. Any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party

(l) “Related Party Transactions” means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged.

A "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.

(m) “Material Related Party Transaction”

A transaction with 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 10 percent of the annual consolidated income of the Bank as per the last audited financial statements of the Bank.

Further in terms of regulation 23(1A), a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% of the annual consolidated income of the Bank as per the last audited financial statements of the bank.

4. Details required for ascertaining related party:

The following details shall be required:

1. Declaration/Disclosure of interest by all the Directors and KMPs' in the prescribed form (Annexure B.1 & B.2)
2. Declaration of relatives by all Directors and KMPs'.
3. Declaration about a firm in which a Director/ Manager or his relative is a partner.
4. Declaration about a private Company in which a Director or Manager is a member or director.
5. Declaration regarding a public company in which a Director or manager is a Director and holds along with the relatives more than 2% of the paid-up share capital.
6. Notices from Directors of any change in particulars of Directorship or in other positions during the year.
7. Declaration by Holding Company regarding its Directors/ KMPs' and their relatives.

8. Details of anybody-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 of the Company.
9. Details of any person on whose advice, directions or instructions a director or manager is accustomed to act:
Provided that nothing in point No. 8 & 9 shall apply to the advice, directions or instructions given in a professional capacity.
10. Details of 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 or any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.

5. Type of Transactions covered

a) The following transactions will be covered (Section 188 of the Companies Act 2013):

- i) Sale, purchase or supply of any goods or materials;
- ii) Selling or otherwise disposing of, or buying, property of any kind;
- iii) Leasing of property of any kind;
- iv) Availing or rendering of any services;
- v) Appointment of any agent for purchase or sale of goods, materials, services or property etc.
- vi) Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company;
- vii) Underwriting the subscription of any securities or derivatives thereof, of the company.

b) Under Regulation 2 (zc) & Regulation 23(1A) of SEBI (LODR) Regulations, following shall also be covered –

- i) Transfer of resources, services or obligations between Bank and a related party, regardless of whether a price is charged.
Further, a transaction with a Related Party shall be construed to include single transaction or a group of transactions in a contract.
- ii) A transaction involving payments with respect to brand usage or royalty shall be considered material if such transaction(s) during a financial year exceed 5% of the annual consolidated income of the Bank entity as per the last audited financial statements.

c) Under Accounting Standard 18, all transactions involving transfer of resources or obligations between related parties, regardless of whether or not a price is charged shall be covered. To name a few:

- i) Purchases or sales of goods;
- ii) Purchases or sales of fixed assets;
- iii) Rendering or receiving of services;
- iv) Agency arrangements;
- v) Leasing or hire purchase arrangements

- vi) Transfer of research and development.
- vii) License agreements.
- viii) Finance (including loans and equity contributions in cash or in kind).
- ix) Guarantees and collaterals.
- x) Management contracts including for deputation of employees.

6. Policy

All Related Party Transactions must be reported to the Audit Committee of Board for approval in accordance with this Policy in terms of regulation 23 (2) of the SEBI (LODR) Regulations. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Bank subject to the following conditions:

- 6.1 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.
- 6.2 The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Bank;
- 6.3 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.
- 6.4 Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- 6.5 Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- 6.6 In terms of Regulation 23(1), threshold limit for materiality of related party transactions approved by the board of directors is 10 % of the annual consolidated income of the Bank as per the last audited financial statements.

In terms of regulation 4 sub clause 2(f) (ii) 6 of the SEBI (LODR) Regulations, the Board of Directors shall monitor and manage potential conflicts of interest of management, Board members and shareholders, including misuse of corporate assets and abuse in Related Party Transactions.

7. Recognition of potential Related Party Transactions

Each Director and Key Managerial Personnel is responsible for providing notice of any potential Related Party Transaction, involving him or her or his or her Relative, including any additional information about the transaction that the Board or Audit Committee may reasonably request. The Audit Committee will determine whether the

transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Bank strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

8. Material Related Party Transactions

All Related Party Transactions shall require prior approval of Audit Committee except those transactions exempted by the Committee through Omnibus approval. All material related party transactions shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Further, as per extant provisions of the SEBI (LODR) Regulations, prior approvals shall not be required in the following cases:

- (a) Transactions entered into between two Government Companies.
- (b) Transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and are placed before the shareholders at the general meeting for approval.

Explanation:

- For the purpose of this clause “Government Company” shall have the same meaning as defined in Section 2(45) of the Companies Act 2013.

9. Review and Approval of Related Party Transactions

Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee, after receipt of notice of the potential interest, for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will not vote to approve the transaction.

To review, modify or approve a Related Party Transaction, the Audit Committee shall be provided with all relevant material information of the 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 that may be material. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- ❖ Whether the terms of the Related Party Transaction are fair and on “arm’s length” basis to the Bank and would apply on the same basis if the transaction did not involve a Related Party;
- ❖ Whether there are any compelling business reasons for the Bank to enter into the Related Party Transaction and the nature of alternative transactions, if any;

- ❖ Whether the Related Party Transaction would affect the independence of an independent director;
- ❖ Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- ❖ Whether the Bank was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification if allowed, would be detrimental to the Bank; and
- ❖ Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Bank, taking into account the size of the transaction, the overall financial position of the Director, or other Related Party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the on-going nature of any proposed relationship and any other factors the Board/Committee deems relevant.

The Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

If the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board elects 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:

- a) 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.
- b) 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.

10. Related Party Transactions without the prior approval under this Policy

In the event the Bank becomes aware of a Related Party Transaction that has not been approved under this Policy, the matter shall be reviewed by the Committee. The Committee shall consider all the relevant facts and circumstances regarding the Related Party Transaction and shall evaluate all options available to the Bank,

including ratification, revision or termination of the Related Party 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 case the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction.

In connection with any review of a Related Party Transaction, the Audit Committee shall have the final authority to modify or waive any procedure requirements of this policy.

11. Process for ascertaining Related Party

Board and Coordination Division, shall prepare the list of Related Party Transactions on the basis of the information collected from the Related Parties on Quarterly basis and as and when any notice is received from any person in terms of this policy. The information shall be maintained in the prescribed format maintained in the prescribed format in line with Companies Act, 2013.

Internal auditors/ Statutory Auditor shall verify the process of ascertaining the Related Parties and their correct recording / listing in register of Contracts/arrangement etc. as well as their classification regarding whether they are on arm's length basis.

12. Circulating of above list of related parties

The list as mentioned above shall be circulated to Divisional Heads at Head Office and the Zonal Managers at field level and Zonal Audit Offices through Division's Circular.

13. Procedure of seeking approval

As and when any transaction is contemplated with any Related Party requiring approval of the ACB or Shareholders, the concerned office entertaining the request shall submit the request to the Board and Coordination Division through the concerned Circle Head or Divisional Head in case of HO Divisions, the details of proposed transaction with draft contract/ draft agreement or other supporting documents justifying that the transactions are on arms' length basis and in the ordinary course of business at prevailing market rate. Based on this note, the Board and Coordination Division at Head Office shall appropriately take up for prior approval from the Audit Committee at its next meeting and convey back the decision to the originator.

If the proposed transaction is not in ordinary course of business but at arms' length basis, then the originating office shall give a detailed note with justification to Board and Coordination Division through the concerned controlling office for entering such transaction with copy of draft agreement/MoU/other supporting documents. Based on

this note, the Board and Coordination Division shall escalate the matter for necessary approvals of the Audit Committee/Board/Shareholders as may be applicable.

14. Secrecy Provisions

- 14.1 In terms of paragraph 5 of Accounting Standard 18, the disclosure requirements do not apply in circumstances when providing such disclosures would conflict with the reporting enterprise's duties of confidentiality as specifically required in terms of statute, by regulator or similar competent authority.
- 14.2 In terms of Paragraph 6 of Accounting Standard 18, in case a statute or the RBI or SEBI prohibits the Banks 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 18.
- 14.3 It is clear from the above that on account of the judicially recognized common law duty of the banks to maintain the confidentiality of the customer details, they need not make such disclosures.
- 14.4 In view of the above, where the disclosures under the Accounting Standards are not aggregated disclosures in respect of any category of related party i.e., where there is only one entity in any category of related party, banks need not disclose any details pertaining to that related party other than the relationship with that related party.

15. Disclosure

- 15.1 The Bank shall keep a register in the prescribed form (Form MBP-4) giving the full particulars of contracts or arrangements in respect of all RPTs approved by the Audit Committee.
- 15.2 Necessary disclosures shall be made in the Annual Financial Statements as required under AS 18 and RBI guidelines. Further, as required under regulation 34(3) in schedule V para10, necessary details of all materially significant related party transactions', which may have potential conflict with the interests of the Bank at large, shall also be also given in 'Report on Corporate Governance' section in Annual Report of the Bank.
- 15.3 The Bank shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year; disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.
- 15.4 Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on Corporate Governance.
- 15.5 The Bank shall disclose the policy on dealing with Related Party Transactions on its website and a web-link thereto shall be provided in the Annual Report.
- 15.6 As required in Part A of Schedule V, bank will have to disclose transactions with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more shareholding in the Bank, in the format prescribed in the relevant accounting standards for annual results, in the annual report.

16. Records relating to Related Party / Supporting documents

All disclosures, agreements, 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 Board and Coordination Division or any other person authorized by the Board for the purpose.

II.III Exclusions

Not Applicable

Appendix

A. List of references including related policies / forms, RBI circulars, etc.

The Policy is based upon the requirements of regulation 23 (1) SEBI (LODR) Regulations, 2015

The Forms/Formats mentioned in the Policy are as under:

Annexure –“B.1”

Format of declaration to be given by Connected persons/KMP/Related Party & Relatives

I _____ son/daughter/spouse- of _____ resident of _____ being a Connected Person/Key Managerial Personnel(KMP)/relative of Connected person or KMP/ related party in the company hereby give notice of my interest of concern in the following company or companies, bodies corporate, firms or other association of individuals/transactions :-

1	Name of the Companies/Body Corporate/Firms/Association of Individuals*	
2	The name of the related party and nature of relationship.	
3	The nature, duration of the contract and particulars of the contract or arrangement	
4	Nature of transaction	
5	Material terms of the contract or arrangement including the value, if any	
6	Any advance paid or received for the contract or arrangement, if any.	
7	Manner of determining the pricing and other commercial terms both included as part of contract and not considered as part of the contract.	
8	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.	
9	Whether arm's length transaction.	
10	Whether as per approved scheme of the Bank	
11	Any other information relevant or important for the Board to take a decision on the proposed transaction.	

- * Including public companies, private companies, foreign companies, partnership firms, limited liability partnership, trusts, association of individuals, society etc.
- * Documents enclosed

Signature: _____

Date: _____

Designation: _____

List of Relatives

Sr. No	Relation	Name	Firms / LLP wherein Partner	Name of Public Companies (along with % of Shareholding)
1	Father (including step-father)			
2	Mother (including step-mother)			
3	Spouse			
4	Son (including step-son)			
5	Son's wife			
6	Daughter			
7	Daughter's husband			
8	Brother (including step-brother)			
9	Sister (including step-sister)			
10	If the Director is a member of HUF, then other members of such HUF			

Signature: _____

Date: _____

Designation: _____

FORMAT OF INFORMATION ON RELATED PARTY TRANSACTION

Name/Title of the Account :

Name of the Related Party & Relationship :

Nature & volume of Transaction during the quarter :*

A) Transactions of routine and repetitive nature

Nature of Transactions	Total during the quarter	Cumulative during the financial year
■ Deposits		
Interest paid /accrued		
■ Advances		
Interest paid/accrued		
■ Other services/contracts**		
Whether staff rate and whether eligible		
Special concessions, if any		
Whether at arm's length		

B) Transactions not covered under (A) and up to a monetary limit of Rs.1 cr per transaction

Nature of Transactions	Total during the quarter	Cumulative during the financial year
Special concessions, if any		
Whether at arm's length		

C) Material Transactions

Nature of Transactions	Total during the quarter	Cumulative during the financial year

*in case of multiple accounts separate sheets may be attached

**e.g. Lockers, lease agreements, service contracts etc.

I/We hereby confirm that the transactions entered into by me/us/my relatives with the Bank were at arms' length and no special benefits have accrued to me/us/relatives.

I/We also confirm that all transactions which are in the purview of the Related Party Transaction have been reported by me.

(Signature/Authorised signatory)

Format for Related Party Disclosures

The manner of disclosures required by paragraphs 23 and 26 of AS 18 is illustrated below. It may be noted that the format is merely illustrative and is not exhaustive.

(Amount in ₹ crore)

Items/Related Party	Parent (as per ownership or control)	Subsidiaries	Associates/ Joint Ventures	KMP@	Relatives of KMP	Total
Borrowings#						
Deposit#						
Placement of deposits#						
Advances#						
Investments#						
Non funded commitments#						
Leasing arrangements availed#						
Leasing arrangements provided#						
Purchase of fixed assets						
Sale of fixed assets						
Interest paid						
Interest received						
Rendering of services*						
Receiving of services*						
Management contracts*						

Note: Where there is only one entity in any category of related party, banks need not disclose any details pertaining to that related party other than the relationship with that related party.

@ Whole time directors of the Board and CEOs of the branches of foreign banks in India.

The outstanding at the year-end and the maximum during the year are to be disclosed.

* Contract services etc. and not services like remittance facilities, locker facilities etc.

B. Frequently Asked Questions

Not Applicable