

# CITY UNION BANK LIMITED

## RELATED PARTY TRANSACTIONS POLICY

### 1. Preamble

The Board of Directors (the "Board") of City Union Bank Limited (the "Bank" or "CUB"), has adopted the following policy on Related Party Transactions as detailed below.

This policy will be applicable to the Bank. This policy is to regulate transactions between the Bank and its Related Parties based on the laws and regulations applicable to the Bank.

### 2. Legal Framework and Objectives

This policy is framed as per requirement of Section 188 of the Companies Act 2013 read with Rules framed there under, applicable Accounting Standards, SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 as amended, Section 20 of the Banking Regulation Act 1949 and Master Circular on Loans and Advances – Statutory and Other Restrictions from time to time issued by RBI.

This policy intends to ensure proper approval and reporting of transactions between the Bank and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Bank and its shareholders.

### 3. Definitions

- a. "Audit Committee or Committee" (ACB) means Committee of Board of Directors of the Bank constituted under provisions of RBI Circular, guidelines, Listing Agreement and Companies Act 2013.
- b. **Annual Consolidated Turnover** means Total Income (i.e Interest earned + Other Income) of the last audited Consolidated Financial Statements of the Bank.
- c. "Arms Length Transaction" means a transaction between two Related Parties that is conducted as if they were unrelated and at terms as would be applicable to an unrelated person or entity, so that there is no conflict of interest. Parameters for determination of arm's length basis need not be price alone.
- d. "Board" means Board of Directors of the Bank.
- e. "Control" shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

- f. **Investing Company or Venturer of a Company** means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.
- g. "Key Managerial Personnel (KMP)" means key managerial personnel as defined under the Companies Act, 2013 and includes:
- (i) Managing Director & Chief Executive Officer or whole-time director;
  - (ii) Company Secretary; and
  - (iii) Chief Financial Officer
- h. "**Material Related Party Transaction**" A transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year exceeds **rupees one thousand crore or ten percent of the annual consolidated turnover** of the company as per the last audited financial statements of the company, whichever is lower.

Transactions 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 **five percent** of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

However the "transaction" here applies to all transactions specified under Section 188 of the Companies Act, 2013 or rules made there under which however shall not include the availment of services of the Bank both Deposit related or Advances related products which are covered under clause 4.3 (i) to (v) here in as specified.

In the case of appointment to any office or place of profit in the Bank if the monthly remuneration exceeds Rs 2.50 lakh comes under Material Related Party transaction.

**i. Material Modification: Any variation**

- (i) in the value of the transactions exceeding 10% of the value of the transaction / contract or
  - (ii) in the terms and conditions rendering a transaction / contract becoming a non-arms length basis transaction / contract
- j. "Ordinary course of business" includes but not limited to the activities that are necessary, normal and incidental to the business of the Bank. These include the common practices and customs of undertaking commercial transactions.

Indicative transactions:

- i. The transaction is normal or otherwise unremarkable for the business.
- ii. The transaction is frequent / regular.
- iii. The transaction is a source of income for the business.
- iv. Transactions that are part of the standard industry practice, even though the bank may not have done it in the past.

The determination of whether a transaction is in the ordinary course of business or not shall be considering its specific nature and circumstances.

- k. "Policy" means Related Party Transaction Policy.
- l. **"Related Party"** means related party as defined in **Regulation 2(1)(zb)** of SEBI (LODR) Regulation, 2015, **Section 2(76)\*** of the Act and under the applicable **accounting standards**.

"Provided that any person or any entity, holding equity shares:

- i) of 20% or more; **OR**
- ii) of 10% or more, with effect from April 1, 2023;

in the Bank either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.

\* **Section 2 (76)** of the Companies Act, 2013 defines the term related party as under:

"related party", with reference to a company, means—

1. a director or his relative;
2. a key managerial personnel or his relative;
3. a firm, in which a director, manager or his relative is a partner;
4. a private company in which a director or manager or his relative is a member or director;
5. a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
6. any 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;
7. any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that **nothing in sub-clauses 6 and 7 shall apply** to the advice, directions or instructions given in a **professional capacity**;

8. any body corporate which is—
- (i) a holding, subsidiary or an associate company of such company;
  - (ii) a subsidiary of a holding company to which it is also a subsidiary; or
  - (iii) an investing company or the venturer of the company;"

**Explanation**—For the purpose of this clause, "the investing company or the venturer of a Svm02company becoming an associate company of the body corporate.

ix. such other person as may be prescribed;

m. **"Related Party Transaction"**– It shall be as defined under Regulation 2(zc) of SEBI (LODR) Regulations.

**Regulation 2(zc):** a transaction involving transfer of resources, services or obligations between:

- i. a company or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; **or**
- ii. a company or any of its subsidiaries on one hand, and any other person or entity on the otherhand, the purpose and effect of which is to benefit a related party of the company or any of its subsidiaries, with effect from April 1, 2023 regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.

Provided that the **following shall not be a related party transaction:**

(a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:

- i. payment of dividend;
- ii. subdivision or consolidation of securities;
- iii. issuance of securities by way of a rights issue or a bonus issue; and
- iv. buy-back of securities.

(c) **acceptance of fixed deposits by banks/Non-Banking Finance Companies** at the terms uniformly applicable/offered to all shareholders/public, **subject to disclosure** of the same alongwith the disclosure of related party transactions **every six months to the stock exchange(s)**, in the format as specified by SEBI.

n. **"Relative"** means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –

- i. They are members of a Hindu undivided family;
- ii. They are husband and wife; or
- iii. Father (including step-father)
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son's wife
- vii. Daughter
- viii. Daughter's husband
- ix. Brother (including step-brother)
- x. Sister (including step-sister)

#### **4. Policy**

##### **4.1 Identification of Related Party and ~~Potential~~ Related Party Transactions**

A director/ Key Managerial Personnel of the Bank is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him/ her or his/her Relative, including any additional information about the transaction that the Audit Committee may reasonably require. 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.

The **following disclosures** shall be made by the Directors and KMPs to enable proper identification of Related Party and Related Party Transactions.

- i. Disclosure of Interest - At the first meeting of the Board each financial year in form MBP-1/ immediately after any changes in interests already disclosed
- ii. List of Relatives with PAN details

The list of related parties shall be circulated by the Company Secretary to the Audit Committee / Board at least once in a year. Also, the same shall be circulated to respective departmental heads periodically to identify any related party transaction(s).

##### **4.2 Prohibitions related to Related Party Transactions**

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

- a) 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**.
- b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Bank;
- c) 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.

- d) 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.
- e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

The Board of Directors of the Bank shall mandatorily place before the members of the Bank, all Material Related party transactions and obtain their approval. All RPTs which are not on Arms length and Ordinary course of business shall be placed before the members of the Bank for their approval.

Except prior approval of the Bank by a resolution, the Bank shall not enter into any RPT which breach the thresholds specified u/s 188 of the Companies Act 2013 r/w Rule 15 of Companies (Meetings of Board and Powers) Rules, 2014.

#### 4.3 Review and Approval of Related Party Transactions

Related Party Transactions will be reported through a memorandum placed before the ACB in the immediate next meeting scheduled to be convened for its review/approval. Any member of the Committee who has an interest in any Related Party Transaction will abstain from discussion/deliberations and voting on the agenda seeking approval of the Related Party Transaction. The Memorandum shall contain 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 other relevant matters. 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:

1. Whether the terms of the Related Party Transaction are fair and on arms length basis to the Bank and would apply on the same basis if the transaction did not involve a Related Party;
2. 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;
3. Whether the Related Party Transaction would affect the independence of an independent director;
4. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
5. 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 is allowed and would be detrimental to the Bank; and
6. Whether the Related Party Transaction would present any conflict of interest for any director or Key Managerial Personnel of the Company, 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 ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case 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:

- i. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Bank including reimbursement of business and travel expenses incurred in the ordinary course of business as per norms.
- ii. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
- iii. Availment of any services of the Bank by the related party such as placement of deposits, opening of any type of deposit account or other Banking products offered by the Bank to any of its customers, provided that the rate of interest for the deposit products or charges

being offered to the related party shall be at such rates as are being offered to its other customers or at card rates.

- iv. In the case of providing any credit facility to a Director or relative of any Director, the Bank would be strictly adhering to the guidelines issued by the Reserve Bank of India in this regard.
- v. In respect of KMPs, the rate of interest or other charges etc shall be at the rates as are being offered to other employees of the Bank whether for the Deposit related products or advances related products. The said rates will not however be extended to the relative of such KMPs.

All transactions pursuant to section 20 of the Banking Regulation Act 1949 shall be placed for review of Audit Committee.

## **5. Related Party Transactions not approved under this Policy**

In the event the Bank becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, 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 examine 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 any case, where 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 Committee has authority to modify or waive any procedural requirements of this Policy.

## **6. Disclosures**

1. Bank shall disclose each year in the Audited Financial Statements certain transactions between the Bank and Related Parties as well as policies concerning transactions with Related parties in terms of AS-18.
2. Details of all material transactions with Related Parties shall be disclosed to stock exchanges along with the compliance report on corporate governance.
3. This Policy shall be displayed in website of the Bank and a web-link shall be provided in the Annual Report.



4. The Reserve Bank of India vide its Master Circular No.DBOD BP.BC.8/21.04.018/2014-15 dt. 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 parties as envisaged under the Accounting Standard 18. The said disclosures 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.

## **7. Interpretation**

In any circumstance where the terms of reference of this policy differ from any existing or newly enacted law, rule, regulation or standards governing the bank, such law, rule, regulation or standard will take precedence over this policy until such time this policy is changed to conform to such law, rule, regulation or standard in force.

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2<sup>nd</sup>Amendment version V3: 26-06-2023

1<sup>st</sup>Amendment version V2: 07-11-2019

Initial approval version V1: 24-12-2014