



# IDFC FIRST Bank Limited

## Policy on Related Party Transactions

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## POLICY ON RELATED PARTY TRANSACTIONS

### 1. Preamble

Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), requires a listed company to formulate a Policy on materiality of Related Party Transactions and also on dealing with such Related Party Transactions.

This policy is intended to ensure the proper approval and reporting of transactions between the Bank and its Related Parties based on the applicable laws and regulations applicable to the Bank. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

An endeavour is made to have transactions only on arm's length basis and in the ordinary course of business with Related Parties.

### 2. Definitions

**"Annual Consolidated Turnover"** is defined as Total Income (i.e. Interest earned plus Other Income) of the last audited Consolidated Financial Statements of the Bank.

**"Audit Committee"** means Committee of the Board of Directors of the Bank constituted under provisions of the SEBI Listing Regulations.

**"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.

**"Board"** means Board of Directors of the Company.

**"Key Managerial Personnel"** means key managerial personnel as defined under the Companies Act, 2013.

**"Material Related Party Transaction"** shall have the same meaning as given to 'a transaction with a related party shall be considered material' under the SEBI Listing Regulations, as may be amended from time to time.

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 ten percent of the annual consolidated turnover** of the Bank as per the last audited financial statements of the Bank.

Provided that, 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 two percent of the annual consolidated turnover of the Bank as per the last audited financial statements of the Bank.

**"Policy"** means Related Party Transaction Policy.

**“Related Party”** shall mean a person or entity that is related to the company 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”** shall mean all transactions as per Regulation 2 (1)(zc) of the SEBI Listing Regulations as may be amended from time to time.

A related party transaction is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged or not.

**“Relative”** shall mean any person as defined under Section 2(77) of the Companies Act, 2013 or under Regulation 2 (1)(zd) of the SEBI Listing Regulations as may be amended from time to time.

### 3. Policy

All Related Party Transactions must be referred to the Audit Committee for approval in accordance with this Policy except transactions for which omnibus approval has been obtained from Audit Committee.

### 4. Identification of Potential Related Party Transactions

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Audit Committee/ Board may reasonably request. Audit Committee/ Board will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Secretarial Department of the Bank will inform any change in the list of Related Parties to Functional teams of the Bank to identify the Related Party Transactions.

### 5. Review and Approval of Related Party Transactions

Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by way of circulation. The Audit Committee shall determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

Any member of the Audit Committee/ Board 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 approval matrix framework is given below:

Audit Committee Approval	Board Approval	Shareholder's Approval
All Related Party Transactions	→ Related Party Transactions referred by Audit Committee for approval of the Board, which are not in Ordinary Course of Business	Approval by resolution for: → Material Related Party Transactions → Related Party Transactions not in Ordinary Course of Business and/or

	and/or not on Arm's length basis. → Related Party Transactions as required under the regulations applicable to the Bank	not on Arm's length basis and crosses threshold limit as prescribed under the regulations applicable to the Bank.
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## 6. Decision Regarding Transaction in Ordinary Course of Business and at Arm's Length

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

## 7. Omnibus approval by Audit Committee for Related Party Transactions

- A. the Audit Committee may, in the interest of the Bank, grant omnibus approval for Related Party Transactions that are repetitive in nature, subject to the following conditions to be contained in the omnibus approval :
- (i) specify the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, wherever possible;
  - (ii) specify 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.
- B. The Audit Committee may also, in the interest of the Company, grant omnibus approval for Related Party Transactions that cannot be foreseen and for which the aforesaid details are not available subject to their value not exceeding Rs. 1 crore per transaction or such other amount as may be prescribed in the applicable regulations in this regard from time to time.
- C. The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Bank pursuant to each of the omnibus approvals given. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

## 8. 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 Bank would obtain post facto approval from the Audit Committee, the Board and/or shareholders of the Bank as required under applicable law. In case the Bank is not able to take such prior approval from the Audit Committee, the Board and/or shareholders of the Bank such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as *post facto* approval is obtained as promptly 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 of 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. 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 or

rescission of the transaction. In connection with any review of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any Director, or is authorised by any other Director, the Directors concerned shall indemnify the Bank against any loss incurred by it.

## **9. Policy Review**

This Policy is framed based on the provisions of the SEBI Listing Regulations, the Companies Act, 2013 and rules thereunder and other applicable law. In case of any subsequent changes in the provisions of the SEBI Listing Regulations or the Companies Act, 2013 and rules thereunder or other applicable law, the relevant amended provisions would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

This Policy shall be reviewed by the Audit Committee/ Board as and when any changes are to be incorporated in the Policy due to change in applicable law or on an annual basis.