



POLICY ON RELATED PARTY TRANSACTIONS

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TABLE OF CONTENTS

Sr. No.	Particulars	Page No.
I.	Who would be the Related Parties for IDBI Bank	3
II.	What will constitute a Related Party Transaction	4
III.	How to deal with Related Party Transactions in IDBI Bank	
	Approval from Audit Committee of the Board	5
	Approval of Board	6
	Approval of Shareholders'	6
IV.	Material Modifications	9
	Appendices	
	Appendix-I: List of Relatives as provided in the Companies Act, 2013	10
	Appendix-II : A check-list in a simplified and easy to understand language to be used by the concerned Departments of IDBI Bank while determining and dealing with Related Party Transactions	11
	Appendix-III: Dos and Don'ts for Directors and KMPs of IDBI Bank, vis-a-vis, Related Party Transactions	14
	Appendix-IV: Penalty Provisions under Section 188(3), (4) and (5) of the Companies Act, 2013	16



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POLICY ON RELATED PARTY TRANSACTIONS

In terms of Sections 2(76), 177 & 188 of the Companies Act, 2013 read with Rule 15 of the Companies (Meetings of Board & its Powers) Rules, 2014 and Regulations 2(1)(zb), (zc) and 23 of the SEBI (LODR) Regulations, 2015, the Board lays down the following Policy on dealing with Related Party Transactions in IDBI Bank :

I. Who would be the Related Parties for IDBI Bank -

In terms of Section 2(76) of the Companies Act, 2013 and Regulation 2(1)(zb) of the SEBI (LODR) Regulations, 2013 as applicable to IDBI Bank:

- (i) a Director of IDBI Bank or his/her relative;
 - (ii) a Key Managerial Personnel of IDBI Bank or his/her relative;
 - (iii) a firm in which a director, manager of IDBI Bank or his/her relative is a partner;
 - (iv) a private company in which a Director of IDBI Bank or his/her relative is a member or director;
 - (v) a public company in which a Director of IDBI Bank is a Director and holds along with his/her relatives, more than two per cent of its paid-up share capital;
 - (vi) 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 of IDBI Bank;
 - (vii) any person on whose advice, directions or instructions a Director of IDBI Bank is accustomed to act;
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity.
 - (viii) any Company which is a Holding, Subsidiary or an Associate Company of IDBI Bank;
 - (ix) any Company which is a subsidiary of Holding Company of IDBI Bank;
 - (x) an investing Company or venturer of IDBI Bank (the investing company or the venturer of a IDBI Bank means a body corporate whose investment in the Bank would result in the company becoming an associate company of the body corporate);
 - (xi) a Director (other than an Independent Director) or Key Managerial Personnel of Holding Company of IDBI Bank or his/her relative shall be deemed to be related party of IDBI Bank;
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- (xii) any person or entity forming part of the promoter or promoter group of IDBI Bank;
- (xiii) any person or entity holding equity shares of 10% or more in IDBI Bank either directly or on beneficial interest basis, anytime during the immediate preceding financial year;
- (xiv) any entity which is a related party under the applicable Accounting Standards.

II. What will constitute a Related Party Transaction -

(1) In terms of Section 188(1) of the Companies Act, 2013

Any contract or arrangement entered into with a related party by IDBI Bank with respect to -

- a) sale, purchase or supply of any goods or materials;
- b) selling or otherwise disposing of, or buying, property of any kind;
- c) leasing of property of any kind;
- d) availing or rendering of any services;
- e) appointment of any agent for purchase or sale of goods, materials, services or property;
- f) such related party's appointment to any office or place of profit in IDBI Bank, its Subsidiary Company or Associate Company; and
- g) underwriting the subscription of any securities or derivatives thereof, of the company:

Explanation

- (a) the expression "office or place of profit" means any office or place-
 - (i) where such office or place is held by a Director of IDBI Bank, if the Director holding it receives from IDBI 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 IDBI Bank or its Subsidiary or Associate Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(2) In terms of Regulation 2(1)(zc) of the SEBI (LODR) Regulations, 2015:

"Related party transaction" means a transaction involving a transfer of resources, services or obligations between:

- (i) IDBI Bank or any of its subsidiaries on one hand and a related party of IDBI Bank or any of its subsidiaries on the other hand; or
- (ii) IDBI 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 IDBI Bank or any of its subsidiaries; 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 IDBI Bank 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 the Bank at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by SEBI.

III. How to deal with Related Party Transactions in IDBI Bank -

In case a Related Party Transaction is entered into by IDBI Bank, it will always be entered on an Arms' Length Basis treating the related parties as unrelated so that there is no conflict of interest. Approval policy framework is given below:

(1) Approval from Audit Committee of the Board

- (i) All Related Party Transactions and subsequent material modifications, which are in Ordinary Course of Business and Arm's Length basis proposed to be entered into by IDBI Bank shall require prior approval of Audit Committee of Board before execution of any agreement with the said related party which shall be obtained by concerned dealing vertical entering into the RPT. The Related Party Transactions shall be approved only by the Independent Directors in the Audit Committee.
 - (ii) Any Related party Transaction to which any subsidiary of IDBI Bank (which is not a wholly owned subsidiary) is a party but IDBI Bank is not a party, shall require prior approval of Audit Committee of IDBI 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.
 - (iii) **Omnibus Approval** - The Audit Committee of Board may grant omnibus
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approval for such Related Party Transactions proposed to be entered into by IDBI Bank subject to the following conditions:

- a) The Audit Committee of Board shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of IDBI Bank and such approval shall be applicable in respect of transactions which are repetitive in nature;
- b) The Audit Committee of Board shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of IDBI Bank;
- c) Such omnibus approval shall specify
 - the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction(s)/maximum value per transaction that can be entered into;
 - the indicative base price/current contracted price and the formula for variation in the price, if any, and
 - such other conditions as the Audit Committee of Board may deem fit;Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee of Board may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction;
- d) Audit Committee of Board shall review, at least on a quarterly basis, the details of RPTs entered into by IDBI Bank pursuant to each of the omnibus approval given;
- e) Such omnibus approvals shall be obtained for the Financial year and shall expire at the end of Financial year after which fresh approvals shall be obtained;
- f) However, the provisions contained in this Para (iii) (a) to (e) shall not be applicable to transactions between IDBI Bank and a Wholly Owned Subsidiary whose accounts are consolidated with that of IDBI Bank and placed before the shareholders at the General Meeting for approval.

(2) Approval of Board-

- (i) All Related Party Transactions which are not in the ordinary course of business and/or not on an Arm's Length Basis will require consent of the Board.
- (ii) Where Audit Committee does not approve the transaction, it shall make its recommendations to the Board

(3) Approval of Shareholders -

- (i) All Material Related Party Transactions, viz., 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 IDBI Bank as per its last audited financial statements, whichever is lower, and subsequent material modifications shall have to be

approved by the Shareholders through a Resolution and no related parties shall vote to approve on such resolutions whether the entity is a Related Party to particular transaction or not.

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 five percent of the annual consolidated turnover of IDBI Bank as per its last audited financial statements.

Provided further that this requirement shall not apply to transactions between IDBI Bank and a wholly owned subsidiary whose accounts are consolidated with that of IDBI Bank and placed before the Shareholders in General Meeting for approval.

- (ii) All Related Party Transactions which are not in the ordinary course of business and/or not on an Arm's Length Basis and in case they exceed the limits of sums prescribed under Rule 15 of the Companies (Meetings of Board and its powers) Rules, 2014 as reproduced below shall have to be approved by the shareholders:
- (a) All contracts or arrangements with respect to clauses (a) to (e) of Para II above with criteria, as mentioned below as per the limits set in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 -
- i. sale, purchase or supply of any goods or materials directly or through appointment of agents amounting to ten percent or more of the annual turnover of IDBI Bank, as mentioned in clause (a) and clause (e) of Para II(1) above;
 - ii. selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents amounting to ten percent or more of net worth of IDBI Bank as mentioned in clause (b) and clause (e) respectively of Para II (1) above;
 - iii. leasing of property of any kind amounting to ten percent or more of turnover of IDBI bank as mentioned in clause (c) of Para II (1) above;
 - iv. availing or rendering of any services directly or through appointment of agents amounting to ten percent or more of the turnover of IDBI Bank as mentioned in clause (d) and clause (e) of Para II (1) above;
- (b) All contracts or arrangements for appointment to any office or place of profit in IDBI Bank, its Subsidiary company or Associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of Para II(1) above; or
- (c) Remuneration for underwriting the subscription of any securities or derivatives thereof of IDBI Bank exceeding one percent of the net worth as mentioned in clause (g) of Para II(1) above.

Explanation -

- i. The Turnover or Net Worth referred to above shall be on the basis of the
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Audited Financial Statement of the preceding financial year.

- ii. In case of wholly owned subsidiary, transactions covered in para III(3)(ii)(a) to (c) shall not require shareholders' approval.
 - iii. The explanatory statement to be annexed to the notice of a general meeting convened pursuant to Section 101 of the Companies Act, 2013 shall contain the following particulars namely:-
 - (a) name of the related party;
 - (b) name of the director or key managerial personnel who is related, if any;
 - (c) nature of relationship;
 - (d) nature, material terms, monetary value and particulars of the contract or arrangement;
 - (e) any other information relevant or important for the members to take a decision on the proposed resolution.
- (4) All Related Party Transactions as at III(2) and III(3)(ii) above will be disclosed in the Directors Report along with the justification, wherever necessary, for entering into these transactions.
- (5) Details of all Material Related Party Transactions, if any, shall be disclosed quarterly to Stock Exchanges along with the Compliance Report on Corporate Governance.
- (6) The details of related party transactions would be submitted to the stock exchanges and published on the Bank's website every six months on the date of publication of its standalone and consolidated financial results.

(7) 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 prior approval from the Audit Committee.

In case the Bank is not able to take prior approval from the Audit Committee, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Audit Committee 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, in compliance with applicable regulations.

- (8) The Policy on Related Party Transactions shall be uploaded on the website of IDBI Bank and a web link thereto shall be provided in the Annual Report.
- (9) Non-compliance of the provisions of Section 188 of the Companies Act, 2013 on Related Party Transactions shall attract penalties provided under sub-sections (3), (4) and (5) of the said Section 188 as summarized in Appendix-IV.
- (10) In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments/ rules, the provisions of such Act or Listing Regulations or statutory enactments/ rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.
- (11) The Policy shall be reviewed by the Board of Directors, at least once annually.
- (12) The Appendices to the policy consists of the following:

Appendix-I: List of Relatives as provided in the Companies Act, 2013;

Appendix-II : A check-list in a simplified and easy to understand language to be used by the concerned Departments of IDBI Bank while determining and dealing with Related Party Transactions and;

Appendix-III: Dos and Don'ts for Directors and KMPs of IDBI Bank, vis-à-vis, Related Party Transactions.

Appendix-IV: Penalty Provisions under Sections 188(3), (4) and (5) of the Companies Act, 2013

IV. Material Modifications:

The following are material modifications as defined by the Audit Committee of the Board and referred in Point III(1)(i) & III(3)(i) above

- (i) The terms of the contract ceases to be arms' length;
 - (ii) Any modification of pricing, value, mode of repayment, etc., of a contract which has a financial implication of 20% or more of the contract;
 - (iii) Renewal /extension of tenure of the contract
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Appendix - I

Relatives under Section 2(77) of the Companies Act, 2013

Section 2(77): “relative” with reference to any person, means anyone who is related to another, if –

- i) they are members of a Hindu Undivided Family;
- ii) they are Husband and Wife; or
- iii) one person is related to the other in such a manner as may be prescribed;

As per Rule 4 of Companies (Specification of Definitions Details) Rules, 2014

Rule 4: List of Relatives in terms of Section 2(77) - 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) Father including Step father,
 - 2) Mother including Step mother,
 - 3) Son including Step son,
 - 4) Son’s wife,
 - 5) Daughter,
 - 6) Daughter’s husband,
 - 7) Brother including Step brother,
 - 8) Sister including Step sister
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Appendix - II

Check-list to determine whether a Transaction is a Related Party Transaction and Subsequent Action to be taken by Departments of IDBI Bank

- (i) The transaction will be with Related Party in case it is with any of the following :-
- With any Director or relative of Director of IDBI Bank;
 - With any KMP or Relative of a KMP of IDBI Bank;
 - With any Firm in which Director, manager of IDBI Bank or his/her relative is a Partner;
 - With any Private Company in which a Director or manager or relative of such director/ manager of IDBI Bank is a Member or Director;
 - With a Public Company in which a Director or manager of IDBI Bank is a Director and additionally holds along with his relative(s) 2% or more paid up share capital of the Public Company;
 - With the Holding, Subsidiary (including step down subsidiary), Associate Company and investing or venture company of IDBI Bank;
 - With 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 of IDBI Bank; ;
 - any person on whose advice, directions or instructions a director or manager of IDBI Bank is accustomed to act with a person who has control or significant influence over IDBI Bank;
 - any person or entity forming part of the Promoter and promoter group of IDBI Bank;
 - any person or entity holding equity shares of 10% or more in IDBI Bank either directly or on beneficial interest basis, anytime during the immediate preceding financial year;
 - Directors or KMPs of IDBI Bank and their Relatives will be deemed to be Related Parties to Subsidiary and Associate Companies of IDBI Bank; and
 - With an Entity which is a Related Party under the applicable Accounting Standards.
- (ii) Following Transactions with above Related Parties will constitute Related Party Transactions for IDBI Bank :
- Sale, Purchase or Supply of any goods or materials;
 - Selling or disposing off or buying any Property;
 - Leasing of any Property;
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- Availing or rendering of any services;
 - Appointment of any agent for purchase or sale of goods, materials, services or property;
 - Any Related Party's appointment to any office or place of profit in IDBI Bank or its Subsidiary Company or its Associate Company (where IDBI Bank holds more than 20% shareholding);
 - Underwriting the subscription of any securities or their derivatives of IDBI Bank by a Related Party.
- (iii) In case a Transaction being entered into by a Department of IDBI Bank satisfies the test given above at point (i) and (ii) for being a Related Party Transaction, following actions be ensured :
- To ensure that Related Party Transaction is entered on an Arm's Length Basis, i.e., treating the Related Party as unrelated and on a fair market transaction basis to avoid any conflict of interest.
 - To take prior approval of Audit Committee of the Board in respect of all Related Party Transactions subject to further provisions as at Para III(1)(iii) of the Policy on Related Party Transactions.
 - While placing the proposal before ACB, the Department shall provide the following information, for review of the audit committee for approval of a proposed RPT:
 - a. Type, material terms and particulars of the proposed transaction;
 - b. Name of the related party and its relationship with IDBI Bank or its subsidiary, including nature of its concern or interest (financial or otherwise);
 - c. Tenure of the proposed transaction (particular tenure shall be specified);
 - d. Value of the proposed transaction;
 - e. The percentage of the IDBI Bank's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
 - f. Justification as to why the RPT is in the interest of the listed entity;
 - g. A copy of the valuation or other external party report, if any such report has been relied upon;
 - h. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
 - i. Any other information that may be relevant
 - In case a Related Party Transaction entered into individually or taken together
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with previous transactions during a financial year, exceeds ₹ 1000 crore or 10% of the annual consolidated turnover of IDBI Bank as per its last audited financial statements, whichever is lower, will be considered as Material Related Party Transactions and will require Shareholder's approval through a Resolution subject to further provisions as at Para III(3)(i) of the Policy on Related Party Transactions.

- In case a Related Party Transaction is not in the ordinary course of business and not on an Arm's Length Basis, it will require consent of the Board.
 - In case a Related Party Transaction is not in the ordinary course of business and not on an Arm's Length Basis and exceeds the limits of sums prescribed under Para III(3)(ii) of the Policy on Related Party Transactions, it will also require prior approval of Shareholders through a Resolution.
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Appendix - III

Dos and Don'ts for Directors and KMPs (In respect of Related Party Transactions)

- (i) Directors and Key Managerial Personnel (KMPs) are informed that they themselves, their relatives (as per list given at Appendix I to the Policy) and following persons / entities shall be Related Parties to IDBI Bank :
- ❖ A Firm in which the Director, manager (not a KMP who is CFO/CS) or his/her relative is a partner;
 - ❖ A Private Company in which the Director or manager (not a KMP who is CFO/CS) is a Member or Director;
 - ❖ A Public Company in which a Director or manager (not a KMP who is CFO/CS) is a Director and along with his/her relatives holds 2% or more paid-up share capital of the Public Company;
 - ❖ Any Body Corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of the director or manager of IDBI Bank; ;
 - ❖ An Entity which is a Related Party in terms of applicable Accounting Standards.
- (ii) Directors (except Independent Directors) and KMPs are informed that they themselves and their relatives shall be deemed to be Related Parties with reference to the Holding Company of IDBI Bank.
- (iii) Directors and KMPs should disclose the details of Related Parties, i.e., list of their relatives and persons/entities as at (i) above to IDBI Bank. [For this purpose, Form MBP-1 along with list of relatives has already been obtained from Directors. Directors and KMPs should check periodically and update the disclosure by submission of fresh Form MBP-1 to IDBI Bank from time to time].
- (iv) Directors and KMPs should be alert and should proactively disclose to IDBI Bank in case they are aware that a Related Party Transaction in relation to them is taking place to ensure that the Related Party Transaction is entered on an Arm's Length Basis and is routed through the required channels, i.e., ACB/Board/Shareholders for approval. This is suggested in view of penalty provisions for Directors/KMPs given under Section 188 (3), (4) and (5) of the Companies Act, 2013 reproduced at the end of these Dos and Don'ts.
- (v) Directors and KMPs should ensure that in case they themselves or any of their relatives is seeking an employment/office or place of profit in IDBI Bank or its Subsidiaries or

its Associate Companies, it will be a Related Party Transaction and separate disclosure to this effect should be given to the above Companies to take care of compliance of prescribed legal provisions for Related Party Transactions.

- (vi) Directors and KMPs should not participate in discussions where any Related Party Transaction concerning them is being discussed in ACB or Board Meeting.
 - (vii) Directors and KMPs should not enter into Related Party Transaction with IDBI Bank other than on an Arm's Length Basis.
 - (viii) Directors and KMPs should not do anything contrary to the Policy on Related Party Transactions, relevant legal provisions and Dos for Directors and KMPs given above.
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Appendix-IV

PENALTY PROVISIONS UNDER COMPANIES ACT, 2013:

Section 188 (3):

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 authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

Section 188 (4):

Without prejudice to anything contained in sub-section (3) mentioned above, it shall be open to the company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

Section 188(5):

Any director or any other employee of a company, who had entered into or authorized the contract or arrangement in violation of the provisions of this section shall –

- (i) in case of listed company, be liable to a penalty of twenty-five lakh rupees; and
- (ii) in case of any other company, be liable to a penalty of five lakh rupees.
