

## BANK OF MAHARASHTRA

### POLICY FOR RELATED PARTY TRANSACTIONS

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#### 1. **LEGAL FRAMEWORK:**

This Policy for Related Party Transactions (the “Policy”) is aimed at providing guidelines to the Management of Bank of Maharashtra (the “Bank framework for proper approval and reporting of transactions between the Bank and any of its directors or key managerial personnel or certain entities or persons related to them in such a way that they are in the best interest of the Bank and the stakeholders.

The Policy has been formulated to regulate transactions between the Bank and its Related Parties based on the laws and guidelines applicable to the Bank and in accordance with the current guidelines laid down by Securities Exchange Board of India (“SEBI”), under Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), with respect to related party transactions.

The objective of this Policy is to determine related party transactions and the dealings with such related party transactions and is intended to ensure proper approval and reporting of transactions between the Bank and its Related Parties.

#### 2. **APPLICABILITY:**

The New Regulations are applicable to the listed entities including the Bank constituted under the Banking Companies (Acquisitions and Transfer of Undertakings) Act, 1970, as being a listed entity.

#### 3. **DEFINITIONS:**

- a) “Arm’s length transaction” “Arm’s length transactions” means a transaction as defined under the Companies Act, 2013 includes transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- b) “Associate” means an enterprise in which the Bank has significant influence and which is neither a subsidiary nor a joint venture of the Bank.
- c) “Audit Committee or Committee” means Committee of Board of Directors of the Bank constituted in pursuance of the directives of Reserve Bank of India and in compliance with the provisions of listing agreement, Nationalized Banks (Management And Miscellaneous Provisions) Scheme, 1980.

- d) "Board" means Board of Directors of the Bank in terms of Section 9 (3) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980.
- e) "Control" shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- f) "Joint Venture" means a contractual arrangement whereby Bank along with one or more parties undertake an economic activity which is subject to joint control.
- g) "Key Managerial Personnel" means
  - i) Chief Executive Officer or the Managing Director appointed under the Nationalized Banks (Management and Miscellaneous Provisions) Scheme, 1980;
  - ii) Whole-time Director;
  - iii) Chief Financial Officer;
  - iv) General Manager; and
  - v) Company Secretary;
- h) "Material Related Party Transaction" for the purpose of the policy means a transaction with a related party if the transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover (Business) as per the last audited financial statements of the Bank
- i) "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, sitting fee, commission, perquisites, any rent-free accommodation, 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;
- j) "Policy" means Related Party Transaction Policy.
- k) "Related Party" is defined as: An entity shall be considered as related to the Bank if:
  - i) such an entity is a related party under Section 2(76) of the Companies Act, 2013; or
  - ii) such an entity is a related party under the applicable accounting standards.

"Related Party" as defined under Section 2(76) of the Companies Act, 2013 is as follows:

- i) a director or his relative;

- ii) a key managerial personnel or his relative;
- iii) a firm, in which a director of the Bank or his relative is a partner;
- iv) a private company in which a director of the Bank is a member or director;
- v) a public company in which a director of the Bank is a director or holds along with his 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 the Bank;
- vii) any person under whose advice, directions or instructions a director or manager is accustomed to act;
- viii) any company which is – -a subsidiary or an associate company of the Bank; or -a subsidiary of the holding company to which it is also a subsidiary;

l) “Related Party Transaction” is a transfer of resources, services or obligations between the Bank and a related party, regardless of whether a price is charged.

Explanation: A “transaction” with a related party shall be construed to include single transaction or a group of transactions in a contract.

m) “Relative” means and includes anyone who is related to another,

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)

n) “Subsidiary” means:

- i) a company in which the Bank holds, either by itself and/or through one or more subsidiaries, more than one-half in nominal value of its equity share capital, or
- ii) controls the composition of the Board of Directors; or

#### **4. TYPE OF TRANSACTIONS TO BE COVERED:**

4.1. As per the Companies Act 2013, the following transactions will be covered under this Policy:

- 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 etc.
- f) Such related party's appointment to any office or place of profit in the Bank, its subsidiary company or associate company; g) Underwriting the subscription of any securities or derivatives thereof, of the Bank.

4.2 Pursuant to Listing Agreement, following transactions shall also be covered Transfer of resources, services or obligations between the Bank and a related party, regardless of whether a price is charged.

4.3 Pursuant to RBI Guidelines on Disclosure in Financial Statements - Notes to Accounts (Accounting Standard 18), the following transactions will be covered such as:

- i) Borrowings
- ii) Deposits
- iii) Placement of deposits
- iv) Advances
- v) Investments
- vi) Non-funded commitments
- vii) Leasing/HP arrangements availed
- viii) Leasing/HP arrangements provided
- ix) Purchase of fixed assets
- x) Sale of fixed assets
- xi) Interest paid
- xii) Interest received
- xiii) Rendering of services
- xiv) Receiving of services
- xv) Management contract

## **5. APPROVAL OF RELATED PARTY TRANSACTIONS:**

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

5.1 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.

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

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.

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

5.2 All material Related Party Transactions shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions. All entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

Further, as per extant provisions of the Listing Regulations:

The prior approvals both in the case of Related Party Transactions and Material Related Party Transactions shall not be required in the following cases:

- i) transactions entered into between two government companies;
- ii) transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

## **6. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTION:**

Each Director and Key Managerial Personnel is responsible for providing notice to the Audit Committee, 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 may reasonably request.

## **7. PROCEDURE FOR SEEKING APPROVAL OF RELATED PARTY TRANSACTIONS:**

As and when any transaction is contemplated with any Related Party, the concerned office entertaining the request shall submit to the Board Secretariat Deptt. At Head office, the details of the proposed transaction with details/draft contract/draft agreement or other supporting documents justifying that the transactions are on arms' length basis and in an ordinary course of business at prevailing market rate. Based on this, the Board Secretariat shall appropriately take it up for necessary prior approvals from the Audit Committee at its next meeting and convey back the decision to the originator.

## **8. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS:**

- 8.1 Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will reclude himself or herself and abstain from discussion and voting on the approval of the Related party Transaction.
- 8.2 To review a Related Party Transactions, the Committee will be provided with 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 any 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:

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;

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 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

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 and the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and any other factor the Board/Committee deems relevant.

- 8.3 If the Committee determines that a Related Party Transactions should be brought before the Board, or if the Board in any case decides 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 providing of compensation to 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 or any other facility or loan to which they are entitled in their capacity as an employee of the Bank.

- ii) 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 rate as the related party.
- iii) Transaction involving acceptance of deposits in the ordinary course of the business of the Bank.

## **9. SECRECY PROVISIONS :**

In terms of paragraph 5 of Accounting Standard 18, the disclosures 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.

In terms of Paragraph 6 of Accounting Standard 18, in case a statute or the RBI or SEBI prohibits the Bank 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.

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.

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, bank need not disclose any details pertaining to that related party other than the relationship with that 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 with a Related Party that has not been approved under this Policy within 3 months, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant fact 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 Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee under this Policy and shall take any such action it deems appropriate.

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 the final authority to modify or waive any procedural requirements of this Policy.

**11. AMENDMENT:**

Any change in the Policy shall be approved by the Board of Directors of the Bank. The Board of Directors shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding.

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