



**THE KARUR VYSYA BANK LIMITED**

**Policy on Related Party Transactions**

**(Applicable from 01<sup>ST</sup> Oct 2014 )**

## **RELATED PARTY TRANSACTION POLICY**

### **1. Preamble**

The Board of Directors (the “Board”) of The Karur Vysya Bank Limited (the “Bank” or “KVB”), 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. Purpose**

This policy is framed as per requirement of Clause 49 of the Listing Agreement entered by the Bank with the Stock Exchanges and intended to ensure proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

### **3. Definitions**

**“Audit Committee or Committee”** ( A C B ) means Committee of Board of Directors of the B a n k constituted under provisions of RBI Circular guidelines, Listing Agreement and Companies Act, 2013.

**“Board”** means Board of Directors of the Bank.

**“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

**“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

Apart from the above statutory KMPs, the Bank has also included the following Executives as KMPs.

President and Chief Operating Officer,  
Chief General Manager  
General Manager

**“Policy”** means Related Party Transaction Policy.

**“Related Party”** means related party as defined in Clause 49 of the Listing Agreement which is as follows:

A ‘related party’ is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over

the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

1. A person or a close member of that person's family is related to a company if that person:

a. is a related party under Section 2(76) of the Companies Act, 2013 which are as follows:

- (i) a director or his relative ;
- (ii) a key managerial personnel or his relative ;
- (iii) a firm, in which a director, manager or his relative is a partner ;
- (iv) a private company in which a director or manager is a member or director ;
- (v) a public company in which a director or manager 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 or manager ;
- (vii) any person under whose advice, directions or instructions a director or manager 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) a holding, subsidiary or an associate company of such company ; or
  - (B) a subsidiary of a holding company to which it is also a subsidiary ;
- (ix) Director or key managerial personnel of the holding company or his relative with reference to a company; or

b. has control or joint control or significant influence over the company; or

c. is a key management personnel of the company or of a parent of the company; or

2. An entity shall be considered as related to the company if :

a. The entity is a related party under Section 2(76) of the Companies Act, 2013; or

b. The entity is a related party under the applicable accounting standards.

**“Related Party Transaction”** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company 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.

**“Material Related Party Transaction”** means a transaction with a related party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees Fifty Crores . 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 avilment of services of the Bank both Deposit related or Advances related products which are covered under caluse 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.

“**Relative**” means relative as defined under the Companies Act, 2013 and includes any one 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**

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

##### **4.1 Identification of 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.

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

All Related Party Transactions shall require prior approval of the Audit Committee (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, atleast 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.

Further, 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.

Normally the Bank will not be entering into any material related party transactions.

### **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 recuse himself or herself and 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:

- ✓ 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 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 is allowed and would be detrimental to the Bank; and
- ✓ 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.

#### **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.

This Policy will be communicated to all Departments at the Central Office & shall be displayed in our website.