



**UJJIVAN SMALL FINANCE BANK**

Build a Better Life

**RELATED PARTY TRANSACTION POLICY**



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## 1. INTRODUCTION AND OBJECTIVE

The Bank has framed and implemented the Policy pursuant to the requirement of Regulation 23 (1) of the Listing Regulations.

The Board, on the recommendation of the Audit Committee, has adopted this Policy along with associated procedures for regulating Related Party Transactions, in line with the requirements of the Act and Listing Regulations.

The Policy seeks to define a mechanism to handle Related Party Transactions (“RPT”) in order to ensure the transparency, substantive and procedural fairness of such transactions and that the RPT is being entered in accordance with provisions of applicable laws.

The Policy also seeks to provide guidance on identification of related parties and basis on which materiality of RPT will be determined and the proper conduct and documentation of all RPT.

This Policy is intended to ensure that proper review, approval, monitoring, reporting and disclosure processes are in place for all transactions between the Bank and its Related Parties. The Policy specifically provides the review and approval mechanism of Related Party Transactions keeping in mind the potential or actual conflict of interest that may arise as a result of such transactions.

## 2. DEFINITIONS

- i. **“Act”** means The Companies Act, 2013, as amended from time to time and the rules made thereunder;
- ii. **“Audit Committee”** means Audit Committee of Board of Directors of the Bank constituted under Section 177 of the Act, Regulation 18 of the Listing Regulations and RBI Requirements;
- iii. **“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;
- iv. **“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;
- v. **“Bank”** means Ujjivan Small Finance Bank Limited;
- vi. **“Board”** means Board of Directors of the Bank;
- vii. **“Board’s or Directors’ Report”** means the Report referred under Section 134(3) of the Act;
- viii. **“Director”** means a person appointed to the Board of the Bank for the time being;
- ix. **“Key Managerial Personnel”** shall have the same meaning as defined under Section 2(51) of the Act;
- x. **“Listing Regulations”** means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

- xi. **“Material Related Party Transaction(s)”** shall have the same meaning as defined under the Regulation 23 of the Listing Regulations, as amended from time to time;
- xii. **“Material Modification”** in relation to a Related Party Transaction(s) already approved by the Audit Committee or a Material Related Party Transaction(s) already approved by the Board/Shareholders, means any modification or variation in such transaction having impact on the total value of such transaction by more than 10% of the limit approved by the Audit Committee or Board or Shareholders, as the case may be.
- xiii. **“Policy”** means Policy on Related Party Transactions framed and implemented by the Bank;
- xiv. **“Related Party(ies)”** shall have the same meaning as defined under Section 2(76) of the Act, Accounting Standard (AS) 18 issued by the Institute of Chartered Accountants of India and Regulation 2 (1)(zb) of the Listing Regulations and any amendments thereof;
- xv. **“Related Party Transaction(s) or RPTs”** shall have the same meaning as defined under Regulation 2 (1) (zc) of the Listing Regulations and any amendments thereof;
- xvi. **“Relative”** shall have the same meaning as defined under Section 2(77) of the Act.

All other words and expressions used in this Policy but not defined herein, shall have the same meaning as ascribed to them under the Act and the Listing Regulations.

### **3. APPLICABILITY**

The Policy document applies to approval and reporting of related party relationships and transactions between a reporting enterprise, i.e., the Bank and its related parties and all the transactions that are considered as RPT in terms of the provisions of the Companies Act, 2013, SEBI LODR, 2015 and other laws applicable to the Bank for the time being in force.

#### **4. IDENTIFICATION OF RELATED PARTY TRANSACTIONS**

Every Director and Key Managerial Personnel shall be responsible for providing a declaration to the Company Secretary containing the name of Related Parties and any additional information related thereto on an annual basis or whenever there are any changes in order to ascertain the Related Parties of the Bank.

The Company Secretary of the Bank shall maintain a database of Related Parties containing the names of individuals and companies identified based on the definition of Related Party and declaration provided by the Directors and Key Managerial Personnel and any entity or person who the Board/Audit Committee of the Board shall consider as a Related Party.

The Company Secretary and/or Corporate Secretarial Team shall prepare and maintain the database of Related Parties on the basis definition of Related Party and aforesaid information/declaration including any revisions therein.

The aforesaid database shall be circulated to Managing Director and Chief Executive Officer /Chief Financial Officer/ Department Heads of the Bank and statutory auditors.

## 5. REVIEW AND APPROVAL FOR RELATED PARTY TRANSACTIONS

### Audit Committee

Unless otherwise stated in this Policy or exempted under applicable laws, **all Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee.**

To facilitate the aforesaid approval, Functional departmental heads shall submit to the Company Secretary ("CS") of the Bank the details of proposed transaction with details/draft contract/ draft agreement or other supporting documents justifying that the transactions are on arms' length basis in an ordinary course of business at prevailing market rate. Based on this note, Company Secretary will appropriately take it up for necessary prior approvals from the Audit Committee at its next meeting and convey the decision to the originator.

If the proposed transaction is not in ordinary course of business but at arms' length basis, then the Functional departmental heads shall give a detailed note with justification to CS of the Bank for entering such transaction along with details of proposed transaction with draft agreement/MoU/other supporting documents. Based on this note, CS of the Bank shall put up for prior approval of Audit Committee and/or other required approvals.

Following information is to be placed for the 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 the Bank, 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 Bank's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction;
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Bank:
  - i. details of the source of funds in connection with the proposed transaction;
  - ii. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
    - nature of indebtedness;
    - cost of funds; and
    - tenure;
  - iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
  - iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g. Justification as to why the RPT is in the interest of the Bank;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- j. Any other information that may be relevant

Further, only Independent Directors that are members of the Audit Committee shall be entitled to approve the Related Party Transactions proposed by the Bank.

**Omnibus approval by the Audit Committee for Related Party Transactions proposed to be entered**

The Audit Committee may grant omnibus approval for Related Party Transactions for the transactions that are repetitive in nature and are entered in ordinary course of business and on arm's length basis.

The Audit Committee shall consider the following conditions while granting the aforesaid omnibus approval:

- The transaction in question is necessary to be executed and it is in the interest of Bank;
- Requisite information is presented to the satisfaction of Audit Committee to establish that the transaction is entered in the ordinary course of business and is on arm's length basis;
- 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;
- Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of the financial year.

The Audit Committee would review on a quarterly basis the aforesaid Related Party Transactions entered into by the Bank pursuant to each of the omnibus approval given.

In cases 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.

Only Independent Directors that are members of the Audit Committee shall be entitled to approve the Related Party Transactions proposed by the Bank and any member of the Audit Committee, who has a potential interest in any Related Party Transaction, shall recuse himself or herself and abstain from discussion or voting on the approval or ratification of such Related Party Transactions.

The Audit Committee or the Board shall, in respect of the related party transactions referred to them for approval, shall after considering the materials and information placed before them; judge if the transaction is in the ordinary course of business and at arm's length basis.

The Audit Committee shall also review the statement of significant related party transactions as submitted by the senior management.

**Board of Directors**

The following Related Party Transactions shall require approval of the Board of Directors of the Bank in addition to the approval of the Audit Committee if applicable:

- i. RPTs referred by Audit Committee;

- ii. All Related Party Transactions which are not in ordinary course of business or not on arm's length basis;
  - iii. All material Related Party Transactions; and subsequent material modifications if any
  - iv. All the transactions as specified under clause (a) to (g) of the Section 188(1) of the Act
- Further, in line with RBI Master Circular RBI/2015-16/99 DBR.BP.BC No.23/21.04.018/2015-16 dated July 01, 2015- Disclosure in Financial Statements - Notes to Accounts (Accounting Standard 18) and RBI Master Direction on Financial Statements - Presentation and Disclosures dated August 30, 2021 (Updated as on December 13, 2022), vide Ref RBI/DOR/2021-22/83 DOR.ACC.REC.No.45/21.04.018/2021-22, all transactions involving transfer of resources or obligations between related parties, regardless of whether or not a price is charged shall be covered. Where there is only one entity in any category of related party, the Bank need not to disclose any details pertaining to that related party other than the relationship with that related party. The following transactions will be covered and details will be provided in accordance with aforesaid RBI Master Circular:
    - i. Borrowing;
    - ii. Deposit;
    - iii. Placement of deposits;
    - iv. Advances;
    - v. Investments;
    - vi. Non-funded commitments;
    - vii. Leasing/HP arrangements availed/Leasing/HP arrangements provided;
    - viii. Purchase of fixed assets;
    - ix. Sale of fixed assets;
    - x. Interest paid;
    - xi. Interest received;
    - xii. Rendering of services;
    - xiii. Receiving of services; and
    - xiv. Management contract

Any director, who has a potential interest in any Related Party Transaction, shall recuse himself or herself and abstain from discussion or voting on the approval or ratification of such Related Party Transactions.

### **Shareholders' approval**

The following Related Party Transactions shall require prior approval of the members of the Bank, by way of Ordinary Resolution, in addition to the approval of the Board of Directors and Audit Committee:

- i. Related Party Transactions which are not in ordinary course of business or not on arm's length basis and which crosses threshold limit as prescribed under Section 188 of the Act read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time; and
- ii. All material Related Party Transactions and subsequent material modifications if any

Provided that no member of the Bank shall vote on such ordinary resolution to approve aforesaid transaction(s) if such member is a related party.



## **1. MATERIAL RELATED PARTY TRANSACTION**

All Material Related Party Transactions and subsequent material modifications shall be placed for prior approval of the shareholders through a motion to pass as an ordinary resolution.

## **2. GENERAL CRITERIA FOR APPROVAL OF RELATED PARTY TRANSACTIONS**

To review a Related Party Transaction, the Audit Committee to 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 including but not limited to the following information:

- a) A general description of the transaction(s), including the material terms and conditions, nature, duration and particulars of the contract.
- b) The name of the Related Party and the basis on which such person or entity is a Related Party.
- c) Name of director or KMP who is related.
- d) any advance paid or received for the contract or arrangements
- e) Maximum amount of transaction that can be entered into and the manner of determining the pricing and other commercial terms
- f) The Related Party's interest in the transaction(s), including the Related Party's position or relationship with, or ownership of, any entity that is a party to or has an interest in the transaction(s).
- g) The indicative base price / current contracted price and the formula for variation in the price if any
- h) Any other material information regarding the transaction(s) or the Related Party's interest in the transaction(s).

In case of non-repetitive transactions, the agenda of the Audit Committee at which the item is proposed to be moved shall disclose-

- the name of the related party and nature of relationship;
- the nature, duration of the contract and particulars of the contract or arrangement;
- the material terms of the contract or arrangement including the value, if any;
- any advance paid or received for the contract or arrangement, if any;
- the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors
- any other information relevant or important for the Audit Committee to take a decision on the proposed transaction and
- Statement of transactions as per the contracts/arrangements.

## **3. CONFIDENTIALITY OBLIGATIONS**

Related party disclosure requirements as laid down as per Accounting Standard 18 and Ind AS - 24 do not apply in circumstances where providing such disclosures would conflict with the Bank's

duties of confidentiality as specifically required in terms of a statute or by any regulator or similar competent authority.

In case a statute or a regulator or a similar competent authority governing the Bank prohibits the Bank to disclose certain information which is required to be disclosed as per the above referred standard, disclosure of such information is not warranted.



## **9. RELATED PARTY TRANSACTIONS WITHOUT THE PRIOR APPROVAL UNDER THIS POLICY**

In the event the Bank becomes aware of a Related Party Transaction other than Material Related Part Transaction or any material modification that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all 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.

Where any contract or arrangement, which is considered as a Related Party Transaction exclusively as per Section 188(1) of the Act, is entered into by a director or any other employee, without obtaining the consent of Audit Committee, the Board or the shareholders of the Bank, such transaction shall be 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 and if approval is not sought within the said period, the such transaction shall be voidable at the option of the Board or, as the case may be, of the shareholders.

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 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 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 of the transaction, seeking approval of the shareholders, payment of compensation for the loss suffered by the related party, etc.

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 subject to the provisions of applicable laws.

## 10. DISCLOSURE AND REPORTING REQUIREMENTS

### 10.1 Regulatory Disclosures

The Details of all material Related Party Transactions if any shall be disclosed to the Stock Exchanges on quarterly basis along with compliance report on Corporate Governance.

Further, the Bank shall submit to the stock exchange disclosures of related party transactions in the format as specified by the Board from time to time every six months on the date of publication of its standalone and consolidated financial results and publish the same on its website: at [www.ujjivansfb.in](http://www.ujjivansfb.in).

The Policy shall be available on the website of the Bank at <https://www.ujjivansfb.in/corporate-governance-policies> and a web link thereto shall be provided in the Annual Report.

### 10.2 Statutory Disclosures

Particulars of contracts/arrangements entered into by the Bank with related parties referred to in sub-section (1) of section 188 of the Act including certain arm's length transactions under fourth proviso thereto entered with Related Parties shall be referred to in the Board's Report to the shareholders along with the justification for entering into such contract or arrangements. The disclosures should be made in Form AOC-2 as prescribed under the Act and shall be annexed to the Board's Report.

The aforesaid disclosure shall made in case if contracts or arrangements or transactions entered by the Bank with its related parties, in terms of Section 188(1) of the Act, were not at arm's length basis or such transactions were material and at arm's length.

The Bank shall also disclose the materially significant related party transactions that may have potential conflict with the interests of the Bank at large.

### 10.3 Accounting Standard Related Disclosures

The Bank shall follow the provisions and make necessary disclosure prescribed under Accounting Standard 18 (AS-18) and IND – AS 24 in the financial statements.

## 11. EXEMPTION FROM APPLICABILITY OF THE POLICY

Notwithstanding the foregoing, but subject to the provisions of the applicable laws from time to time, this Policy shall not apply to the following Related Party Transactions, which shall not require separate/additional approval under this Policy:

- Any transaction pertaining to remuneration of Directors and KMPs that require approval of the Nomination and Remuneration Committee of the Company and the Board

- Transactions that have been approved by the Board under specific provisions of the Act, e.g. inter-corporate deposits, borrowings, investments etc. with or in wholly owned subsidiaries or other Related Parties;
- Payment of Dividend
- Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off etc. which are approved by the Board and carried out in accordance with specific provisions of the Act or the Listing Regulations or other regulations framed by Securities and Exchange Board of India
- Contribution towards Corporate Social Responsibility (CSR) within the overall limits approved by the Board that require approval of the CSR Committee.

## **12. RECORD KEEPING**

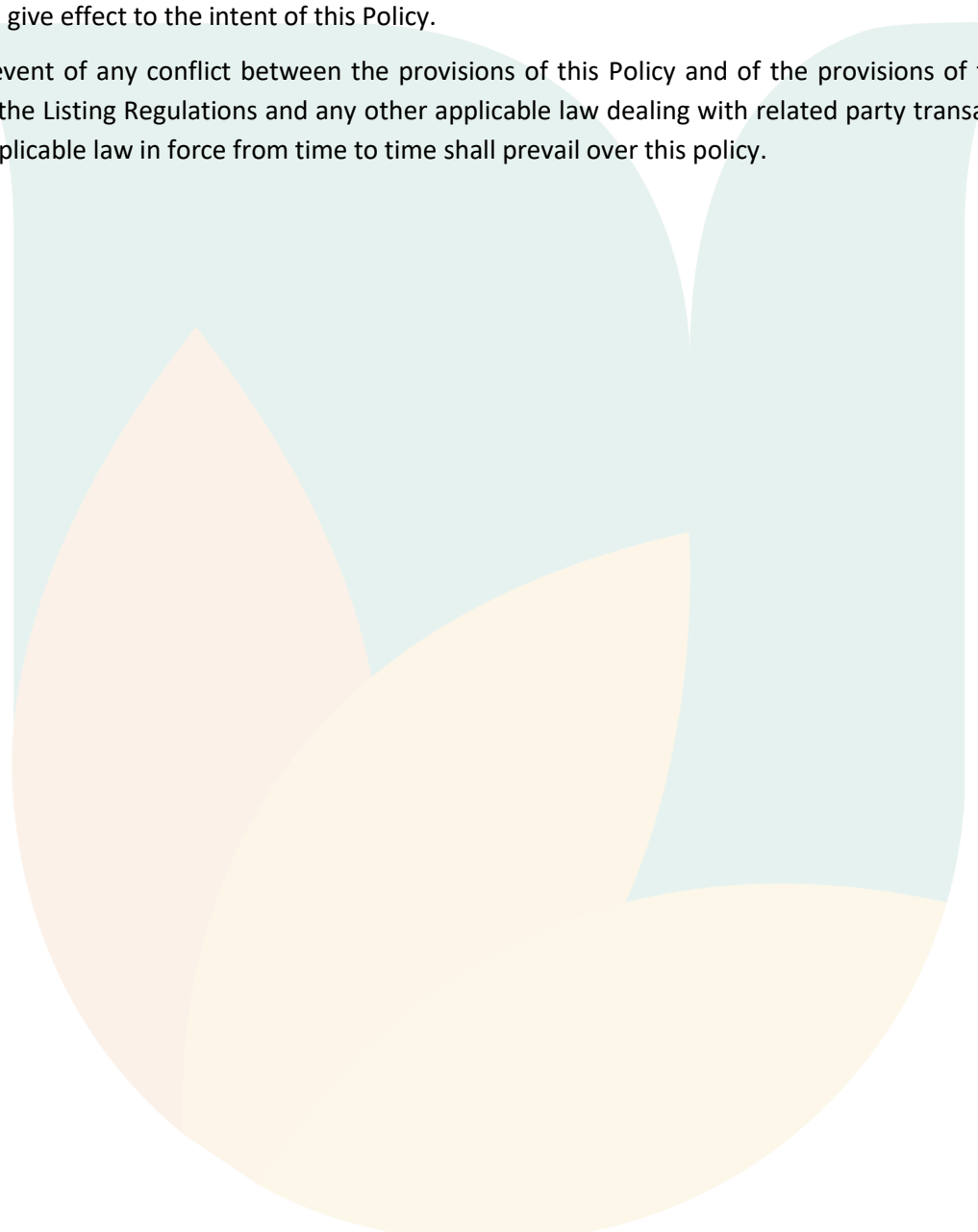
All documentation pertaining to the Related Party Disclosure including declaration from directors, registers maintained by Corporate Secretarial Department/Function and such other records and evidence shall be maintained for a period of 10 years or such other period as specified by any other law in force, whichever is higher.

### **13. REVIEW AND REVISION**

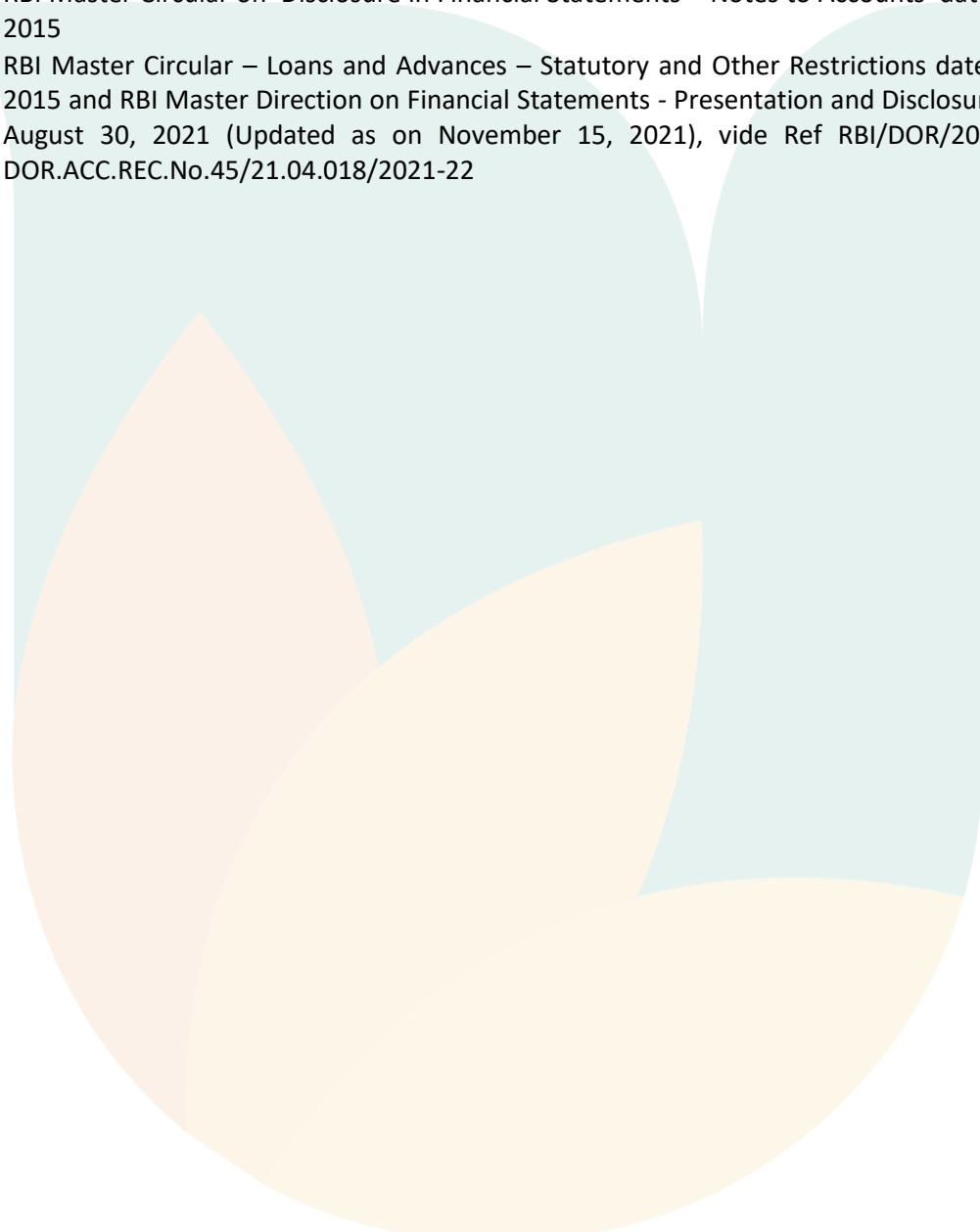
The Audit Committee and on recommendation of Audit Committee, the Board shall review this Policy on annual basis and may review and make necessary revisions or changes in this policy at any time, if required.

Any difficulties or ambiguities in the Policy will be resolved by the Board of Directors in line with the broad intent of the Policy. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy.

In the event of any conflict between the provisions of this Policy and of the provisions of the Act and/or the Listing Regulations and any other applicable law dealing with related party transactions, such applicable law in force from time to time shall prevail over this policy.



#### 14. REGULATORY REFERENCES

- Companies Act, 2013
  - Banking Regulation Act, 1949
  - SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
  - Accounting Standard 18 by ICAI
  - Indian Accounting Standard (Ind AS 24) – Related Part Disclosures
  - RBI Master Circular on ‘Disclosure in Financial Statements – Notes to Accounts’ dated July 1, 2015
  - RBI Master Circular – Loans and Advances – Statutory and Other Restrictions dated July 1, 2015 and RBI Master Direction on Financial Statements - Presentation and Disclosures dated August 30, 2021 (Updated as on November 15, 2021), vide Ref RBI/DOR/2021-22/83 DOR.ACC.REC.No.45/21.04.018/2021-22
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**Annexure 1 – Pictorial Representation of the Approval Matrix**

