



ALLAHABAD BANK **POLICY ON RELATED PARTY TRANSACTIONS**

1. Preface:

With regard to Related Party Transactions, the Bank was hitherto complying with the Companies Act, as amended from time to time and Banking/Para-Banking rules/norms stipulated by RBI, updated from time to time.

In terms of Regulation 23 (1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Bank is required to formulate a policy on materiality of related party transactions and on dealing with related party transactions.

In compliance with the provisions under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, it is proposed to formulate a Policy to regulate the transactions between the Bank and its Related Parties based on the laws and guidelines applicable to the Bank.

2. Objective:

The policy is being framed as per the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and intended to ensure proper approval and reporting of transactions between the Bank and its Related Parties. Such transactions shall be appropriate only, if they are in the best interest of the Bank and its stakeholders.

3. Definitions:

“Board” means Board of Directors of the Bank in terms of Section 9 (3) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.

“Audit Committee of the Board (ACB)” means a Committee of the Board constituted by the Board of Directors as per the guidelines of the Reserve Bank of India (RBI). The ACB provides direction as well as overseeing the operation of the total audit function of the Bank, which includes the organization, operationalization and quality control of internal audit and inspection within the Bank and follow-up on the statutory/external audit of the Bank and inspections of the RBI.

Listing Regulations means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended upto date.

“Associate” means an enterprise in which the Bank has significant influence and which is neither a subsidiary nor a joint venture of the Bank.



“Arm’s length transaction” “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.

“Control” means:

- (a) ownership, directly or indirectly of more than one half of the voting power, or
- (b) control the composition of the Board of Directors,
- (c) have substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies.

“Joint Venture” means a contractual arrangement whereby two or more parties undertake an economic activity, which is subject to joint control.

“Key Management (Managerial) Personnel” means those persons who have the authority and responsibility for planning, directing and controlling the activities of the Bank.

“Material Related Party Transaction” 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 of the Bank as per the last audited financial statements of the Bank, whichever is higher.

“Policy” means Related Party Transaction Policy.

“Related Party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

Accordingly, the followings shall be considered as Related Party for Bank:

- A.** As defined under Companies Act, 2013;
 - (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 on 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;

- (vii) 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) such other person as may be prescribed;

B. As defined under Accounting Standard 18 (AS-18):

An entity/Party which at any time during the reporting period has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

“Related Party Transaction” means a transfer of resources, services or obligations between a listed entity and a related party, 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

“Relatives” shall include coparceners of the same HUF, spouse and:

- Father (including step-father)
- Mother (including step-mother)
- Son (including step-son)
- Son’s wife
- Daughter (including step-daughter)
- Daughter’s husband
- Brother (including step-brother)
- Sister (including step-sister)

“Subsidiary” means a company :

- (a) 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



(b) of which the Bank controls either by itself and/or through one or more subsidiaries, the composition of its Board of Directors.

4. Disclosures:

Pursuant to requirements of Regulation 27 (2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Bank is required to disclose to the Stock Exchanges the details of all material transactions with related parties quarterly as part of the compliance report on quarterly/Half Yearly/Yearly corporate governance. The policy on dealing with Related Party Transactions is also required to be disclosed on Bank's website and a web link thereto to be provided in the Annual report.

Details of contract(s) or arrangement(s) with related parties shall be reported to the Audit Committee of the Board with the justification (if any). It shall also be disclosed in the Annual Report of the Bank.

The Reserve Bank of India vide its Master Circular DBR.BP.BC.No.23/21.04.018/2015-16 dated July 1, 2015 on Disclosure in Financial Statements-Notes to Accounts, has provided detailed guidance to Banks in the matter of disclosures in the 'Notes to Accounts' to the Financial Statements.

The Accounting Standard 18 (AS-18) relating to Related Party Disclosures is applicable for reporting related party relationships and transactions between a reporting enterprise and its related parties. The illustrative format as prescribed by RBI for disclosure by banks for the purpose of AS-18 is annexed as Annexure -1.

5. Adherence to the Policy:

5.1 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:

- (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 listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;
- (b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;
- (c) the omnibus approval shall specify:



- (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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 rupees one crore per transaction.**

- (d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals 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:

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.

Provided that the rules mentioned in points 5.1 & 5.2 shall not be applicable 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.**
- (iii) 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."**

Explanation : For the purpose of Listing Regulations,

"Government Company" shall have the same meaning as defined in Section 2(45) of the Companies Act, 2013."



5.3 In terms of RBI Master Circular DBR.BP.BC.No.23/21.04.018/2015-16 dated July 1, 2015-Disclosure in Financial Statements- Notes to Accounts Accounting Standard 18, the Disclosures in the following formats are required to be made in the Annual Report of Bank:

(₹ in crore)

Items/ Related Party	Parent (as per ownership control)	Subsidiar y	Associat e/joint ventures	Key Manage- ment Personne l (KMP)	Relative s of Key Manage- ment Personn el	Total
	1	2	3	4	5	2+3+4+5
Borrowings						
Deposits						
Placement of Deposits						
Advances						
Investments						
Non-funded commitment s						
Leasing/HP arrangemen ts availed						
Leasing/HP arrangemen ts provided						
Purchase of fixed assets						
Sale of fixed assets						
Interest paid						
Interest received						
Rendering of Services						
Receiving of services						
Managemen t contracts						



Further, in terms of the said RBI Master circular, Whole Time Directors of the Board and CEOs of the Branches of Foreign Banks in India are considered as **Key Managerial Personnel**

5.4 Disclosure of Related Party Transactions by Key Managerial Personnel:

Each Director and Key Managerial Personnel is responsible for making disclosure to the Audit Committee, any potential Related Party Transaction involving him/her or his/her Relative (s), including any additional information about the transaction that the Board/ Audit Committee may reasonably request. The Audit Committee will determine whether the transaction done/contemplated to be done, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The notice of any such potential Related Party Transaction should be given to the Audit Committee well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

5.5 Procedure for seeking approval of Related Party Transactions:

As and when any transaction is contemplated with any Related Party, the concerned Office/Department entertaining the request shall submit to the Board Secretariat, 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, 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.

Wherever, due to the exigencies (where time is the essence) such related party transactions are undertaken in normal course of business these transactions shall be reported to the Audit Committee of the Board, as applicable for ratification / noting.

The departments concerned shall maintain records indicating particulars of all contracts or arrangements and thereafter the same shall be placed before the next meeting of the Audit Committee of the Board and shall be reported to the Stock Exchanges, as required.

5.6 Review and Approval of Related Party Transactions:

Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. 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.

To review a Related Party Transaction, 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.



If the Committee determines that a Related Party Transaction 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:

- a. Any transaction that involves providing of compensation to a 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.
- b. 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 rata as the Related Party.
- c. Any transactions undertaken between the two Government owned companies/banks/public sector undertakings/holding and subsidiary companies in normal course of business including the commission and other services charges paid/received in the normal course of business.

6. Secrecy Provisions :

In terms of paragraph 5 of Accounting Standard 18, the disclosure 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 a similar competent authority governing the Bank prohibit 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 bank is obliged by the law to maintain confidentiality in respect of the customers' transactions and the accounting standard 18 would not override the obligation of the Bank to preserve the confidentiality of customers' dealings.

7. 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 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. 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, such action as 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, if deems appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction (s).

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.



Annexure -1

Format for Related Party Disclosures

The manner of disclosures required by paragraphs 23 and 26 of AS-18 is illustrated below. It may be noted that the format is merely illustrative and is not exhaustive.

(Amount in INR crore)

Items / Related Party	Parent (as per ownership or	Subsidiaries	Associates / Joint Ventures	KMP@	Relatives of KMP	Total
Borrowings#						
Deposit#						
Placement of deposits#						
Advances#						
Investments#						
Non funded commitments						
Leasing arrangements availed#						
Leasing arrangements provided#						
Purchase of fixed assets						
Sale of fixed assets						
Interest paid						
Interest received						
Rendering of services*						
Receiving of services*						
Management contracts*						

Note: Where there is only one entity in any category of related party, banks need not disclose any details pertaining to that related party other than the relationship with that related party.

* Contract services etc. and not services like remittance facilities, locker facilities etc.

@ Whole time directors of the Board and CEOs of the branches of foreign banks in India.

The outstanding at the year-end and the maximum during the year are to be disclosed.