



Ujjivan Small Finance Bank

Related Party Transaction Policy

Table of Contents

1. Introduction.....	2
2. Objective.....	3
3. Applicability	4
4. Identification of Related Party Transactions	5
5. Approval for Related Party Transactions	6
5.1 Procedure for seeking approval of Related Party Transactions.....	6
5.2 Review and Approval of Related Party Transactions.....	7
5.3 Regulatory Restrictions for transactions with Bank’s Directors and relatives	8
6. Confidentiality Obligations	9
7. Related Party Transactions without the prior approval under this Policy	10
8. Disclosure and Reporting Requirements	11
8.1 Regulatory Disclosures.....	11
8.2 Statutory Disclosures	11
8.3 Accounting standard related disclosures	12
9. Record Keeping	13
10. Policy Review and Updates.....	Error! Bookmark not defined.
11. Regulatory References.....	Error! Bookmark not defined.
Annexure 1 – Definitions.....	14
Annexure 2 – Pictorial Representation of the Approval Matrix.....	Error! Bookmark not defined.

1. Introduction

Ujjivan Small Finance Bank (USFB) shall be governed by the Companies Act and Rules made thereunder, Ind AS - 24 issued by the ICA 2013, RBI guidelines and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (Listing Regulations). In view of the above guidelines, the policy on Related Party Transactions (RPT) for reviewing, approving and ratifying RPT and providing disclosures with respect to the above transactions is being approved by the Board.

This policy seeks to define a mechanism to handle RPT in order to ensure the transparency and substantive and procedural fairness of such transactions. The RPT can present a potential or actual conflict of interest which may be against the best interest of the Bank. This policy seeks to provide guidance on identification of related parties and the proper conduct and documentation of all related party transactions.

2. Objective

The key objectives of this policy are as under:

- Ensure due and timely identification, approval, disclosure and reporting of transactions between the Bank and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.
- Identify outstanding balances, including commitments, between the Bank and its related parties
- Determine the disclosures to be made about those items.
- Ensure that the Bank's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.
- Govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Bank and to comply with the statutory provisions in this regard.

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. This policy shall be applicable to transactions undertaken with:

- Board of Directors & their Relatives;
- Key Managerial Personnel (KMP) of the Bank & their Relatives
- Related Parties

The above terms have been defined in Annexure 1 of the policy.

4. Identification of Related Party Transactions

The Bank shall consider any transaction/s with a related party as material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% (ten percent) of the Company annual consolidated turnover as per its last audited financial statements.

Every Whole Time Director and Key Managerial Personnel will be responsible for providing a declaration to the Company Secretary containing the following information on an annual basis in order to ascertain the related parties as defined in Annexure 1:

- Names of his / her Relatives;
- Partnership firms in which he / she or his / her Relative is a partner;
- Private Companies in which he/ she is a member or Director;
- Public Companies in which he/she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
- Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions
- Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Every Whole Time Director and the Key Managerial Personnel will also be responsible to update the management of any changes in the above relationships, directorships, holdings, interests and / or controls immediately on him / her becoming aware of such changes.

The Company Secretary and/or Secretarial Department shall prepare and maintain the database of Related Parties on the basis of aforesaid information/ declaration including any revisions therein. Internal auditors/ Statutory Auditor shall verify the process of ascertaining the Related Parties and their correct recording /listing in register of Contracts/arrangements etc. as per the Section 189 of the Companies Act, 2013 and Rules thereof as well as their classification regarding whether they are on arm's length basis as defined in Annexure 1.

The aforesaid list shall be circulated to CEO and Managing Director /Chief Financial Officer/ Department Heads/ Branch Heads, the Finance & Accounts Department and statutory auditor.

5. Approval for Related Party Transactions

5.1 Procedure for seeking approval of Related Party Transactions

Functional departmental heads shall submit to the Chief Financial Officer (CFO) and Company Secretary (CS) 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 MD/CEO, CFO and CS for entering such transaction along with details of proposed transaction with draft agreement/MoU/other supporting documents. Based on this note, the CEO & Managing Director, CFO and CS will discuss the matter so as to escalate the matter further with Audit Committee, Board and then to shareholders for their respective prior approvals.

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 for not more than 1 year, after which fresh approval shall need to be taken. 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;

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.

The pictorial representation of the approval matrix has been attached as Annexure 2.

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.

The CEO & Managing Director and CFO should certify whether the contracts/transactions are at arm's length. Similarly the internal auditors and /statutory auditors should examine the entire documentation and certify the same.

Where any director is interested in any contract or arrangement with a related party, such director should not be present at the meeting during discussions on the agenda item relating to such contract or arrangement.

5.2 Review and Approval of Related Party Transactions

5.2.1 Audit Committee of the Board

Related Party Transactions will be referred to the next upcoming meeting of Audit Committee of the Board (ACB) for consideration 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.

(a) The ACB 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.

(b) The Audit Committee shall grant omnibus approval for normal banking transactions in ordinary course of business with related parties, same being recurring in nature.

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. Fresh approval of the Audit Committee would be obtained on an annual basis.

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.

5.2.2 Board of Directors

The Board shall approve the RPTs referred by ACB and all material RPTs. Further, all RPTs required to be approved by the Board as per statute shall be approved only by the Board.

Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, the Bank shall not enter into any contract or arrangement with a related party with respect to:

- i. Sale, purchase or supply of any goods or materials
- ii. Selling or otherwise disposing of, or buying, property of any kind
- iii. Leasing of property of any kind
- iv. Availing or rendering of any services
- v. Appointment of any agent for purchase or sale of goods, materials, services or property
- vi. Such related party's appointment to any office or place of profit in the Bank as defined in Annexure 1, its subsidiaries or associates, and
- vii. Underwriting the subscription of any securities or derivatives thereof, of the Bank

Provided that no contract or arrangement, in the case of the Bank having a paid-up share capital of not less than such amount, or transactions not exceeding such sums, as may be prescribed, shall be entered into except with the prior approval of the Bank by a special resolution.

Provided further that no member of the Bank shall vote on such special resolution, to approve any contract or arrangement which may be entered into by the Bank, if such member is a related party.

5.2.3 Shareholder's approval

The shareholder's approval shall be accorded unless exempted by virtue of holding and subsidiary relationship in respect of the following RPTs:

- a) Material Related Party Transactions
- b) Related Party Transactions not in Ordinary Course of Business or not on Arm's length basis and cross threshold limit as prescribed.

5.3 Regulatory Restrictions for transactions with Bank's Directors and relatives

Section 20(1) of the Banking Regulation Act, 1949 also lays down the restrictions on loans and advances to the directors and the firms in which they hold substantial interest.

The Bank shall not grant any loans or advances to or on behalf of any of its directors, or any firm in which any of its directors is interested as partner, manager, employee or guarantor, or any company [not being a subsidiary of the banking company or a company registered under Section 8 of the Companies Act, 2013, or a Government company] of which, or the subsidiary or the holding company of which any of the directors of the bank is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or any individual in respect of whom any of its directors is a partner or guarantor.

The Bank shall grant loans and advances to relatives of the Bank's Managing Director or other Directors, Directors (including Chairman/Managing Director) of other banks and their relatives, Directors of Scheduled Co-operative Banks and their relatives, Directors of Subsidiaries/Trustees of Mutual Funds/Venture Capital Funds set up by the financing banks or other banks after obtaining Board approval.

Unless sanctioned by the Board of Directors/Management Committee, the Bank shall not grant loans and advances aggregating Rs. 25 lakhs and above to -

- a. directors (including the Chairman/Managing Director) of other banks;
- b. any firm in which any of the directors of other banks is interested as a partner or guarantor;
- c. any company in which any of the directors of other banks holds substantial interest or is interested as a director or as a guarantor.
- d. any relative other than spouse (and minor / dependent children of their own Chairmen/Managing Directors or other Directors);
- e. any relative other than spouse and minor / dependent children of the Chairman/Managing Director or other directors of other banks;
- f. any firm in which any of the relatives other than spouse and minor / dependent children is interested as a partner or guarantor; and
- g. any company in which any of the relatives other than spouse and minor / dependent children hold substantial interest or is interested as a director or as a guarantor.

The Managing Director or other director who is directly or indirectly concerned or interested in any proposal should disclose the nature of his/her interest to the Board when any such proposal is discussed. Such persons shall not be present in the meeting unless his/her presence is required by the other directors for the purpose of eliciting information and the director so required to be present shall not vote on any such proposal. These restrictions shall form part of the Credit Policy of the Bank.

6. 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.

7. Related Party Transactions without the prior approval under this Policy

In the event the Bank becomes aware of a Related Party Transaction 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 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.

8. Disclosure and Reporting Requirements

8.1 Regulatory Disclosures

The Bank shall place the policy on Related Party Transactions on its website.

The Bank shall disclose the name and nature of related party relationship, irrespective of whether there have been transactions, where control exists. Control would normally exist in case of parent-subsidiary relationship. The disclosures may be limited to aggregate for each of the above related party categories and as indicated in the format below:

Items/ Related Party	Parent (as per ownership control)	Associates/Joint Ventures	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings					
Deposits					
Placement of Deposits					
Advances					
Investments					
Non funded commitments					
Leasing / HP arrangements availed					
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, the Bank need not disclose any details pertaining to that related party other than the relationship with that related party.

8.2 Statutory Disclosures

The disclosure requirements in the annual report as per the SEBI LODR Regulations shall be as follows:

Sr. no.	In the accounts of	Disclosures of amounts at the year end and the maximum amount of loans/ advances/ Investments outstanding during the year.
1	Holding Company (Parent)	<ul style="list-style-type: none"> • Loans and advances in the nature of loans to subsidiaries by name and amount. • Loans and advances in the nature of loans to

		<p>associates by name and amount.</p> <ul style="list-style-type: none"> • Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount.
2	Subsidiary (the Bank)	Same disclosures as applicable to the parent company in the accounts of subsidiary company

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

The 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.

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

8.3 Accounting standard related disclosures

Relationships between the parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them. The Bank shall disclose the name of its parent and, if different, the ultimate controlling party. If neither the Bank's parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed.

The Bank shall disclose key management personnel compensation in total and for each of the following categories:

- short-term employee benefits;
- post-employment benefits;
- other long-term benefits;
- termination benefits; and
- share-based payment.

If the Bank has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationships as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. At a minimum, disclosures shall include:

- the amount of the transactions;
- the amount of outstanding balances, including commitments, and:
 - their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
 - details of any guarantees given or received;
- provisions for doubtful debts related to the amount of outstanding balances; and
- the expense recognised during the period in respect of bad or doubtful debts due from related parties.

The disclosures shall be made separately for each of the following categories:

- the parent;
- entities with joint control or significant influence over the entity;
- associates;
- joint ventures in which the entity is a venturer;
- key management personnel of the entity or its parent; and
- other related parties

The above terms are defined in Annexure 1.

9. Record Keeping

All documentation pertaining to the Related Party Disclosure including declaration from directors, registers maintained by Secretarial Department and such other records and evidence shall be maintained for a period of 8 years or such other period as specified by any other law in force, whichever is higher.

Annexure 1 – Definitions

Key Term	Explanation
“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.
“Associate Company”	In relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company. Explanation of significant influence “significant influence” means control of at least twenty percent of total share capital, or of business decisions under an agreement.
“Audit Committee”	Means the audit committee constituted by the Board of Directors of the Bank in accordance with applicable law, including the Listing Agreement and the Companies Act, 2013.
“Board”	Means the Board of Directors of Ujjivan Small Finance Bank
“Control”	Shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. As per Ind AS 24, <i>Control</i> is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
“Joint Control”	As per Ind AS 24, is the contractually agreed sharing of control over an economic activity.
“Joint Venture”	Means a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control
“Key Managerial Personnel”	Means Key Managerial Personnel as defined under the Companies Act, 2013, viz i) The Managing Director or the Chief Executive Officer or the manager and in their absence, a whole time director ii) The Company Secretary, and iii) The Chief Financial Officer iv) Such other officials as may be prescribed under the Companies’ Act, 2013. As per Ind AS 24, <i>Key management personnel</i> are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.
“Material Related Party Transaction”	Means a transaction with a related party shall be considered material if the transaction(s) 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 listed entity as per the last audited financial statements of the listed entity.
“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, 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 the Bank anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.
“Related Party”	An entity shall be considered as related to the Bank if: a. Such entity is a related party under Section 2 (76) of the Companies Act,

	<p>2013 which is as under;</p> <p>A director or his relative;</p> <p>A key managerial personnel or his relative;</p> <p>A firm, in which a director, manager or his relative is a partner;</p> <p>A private company in which a director or manager is a member or director;</p> <p>A public company in which a director or manager is a director or holds along with his relatives, more than 2% of its paid-up share capital;</p> <p>A 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;</p> <p>any person on whose advice, directions or instructions a director or manager is accustomed to act:</p> <p>Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;</p> <p>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;</p> <p>such other person as may be prescribed; OR</p> <p>Under the Indian Accounting Standard (Ind AS) - 24.A <i>related party</i> is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).</p> <p>(a) A person or a close member of that person’s family is related to a reporting entity if that person:</p> <p>(i) has control or joint control over the reporting entity;</p> <p>(ii) has significant influence over the reporting entity; or</p> <p>(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.</p> <p>(b) An entity is related to a reporting entity if any of the following conditions applies:</p> <p>(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).</p> <p>(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).</p> <p>(iii) Both entities are joint ventures of the same third party.</p> <p>(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.</p> <p>(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.</p> <p>(vi) The entity is controlled or jointly controlled by a person identified in (a).</p> <p>(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).</p>
“Related Party	Means any transaction between the Bank and any Related Party for transfer of

Transaction”	<p>resources, services or obligations, regardless of whether a price is charged and includes –</p> <ol style="list-style-type: none"> 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 the purchase or sale of goods, materials, services or property; f) Related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; g) Financing (including loans and equity contributions in cash or kind); h) Providing or obtaining guarantees and collaterals; and i) Deputation of employees. (The above is an indicative list and not an exhaustive one). <p>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 as per SEBI LODR Regulations</p> <p>As per Ind AS 24, a related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.</p>
“Relative”	<p>Means a relative as defined under the Companies Act, 2013 and includes anyone who is related in any of the following manner –</p> <ol style="list-style-type: none"> a. Members of a Hindu undivided family b. Husband or wife c. Father (including step-father) d. Mother (including step-mother) e. Son (including step-son) f. Son’s wife g. Daughter h. Daughter’s husband i. Brother (including step-brother) or j. Sister (including step-sister).

