



Utkarsh Small Finance Bank

RELATED PARTY TRANSACTIONS POLICY
EFFECTIVE FROM APRIL 1,2022



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A) Overview

1. Objective

The objective of this policy is to ensure due and timely identification of the transactions between the Bank and its Related Parties (defined below) in compliance with the applicable laws and regulations and to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions (defined below) in the best interest of the Bank and its shareholders.

2. Definitions

“Annual Turnover” means the aggregate value of the realization of amount made on account of services rendered by the Bank during a financial year.

“Arm’s Length Basis” means a transaction between two related parties that is (a) conducted as if they were unrelated, so that there is no conflict of interest; (b) acts/ arrangements have been commercially negotiated; (c) pricing is arrived at as per the rule/guidelines that may be issued by/ under the Income Tax Act, 1961, as amended from time to time, the Reserve Bank of India, Securities and Exchange Board of India and/or such other statutory or regulatory bodies as applicable to any of the contract/ arrangements contemplated or the Listing Regulations; (d) terms of contract/arrangement other than pricing are generally on a basis similar to those as may be applicable for similar category of goods and services or similar category/ profile of counterparties; (e) such other criteria as may be issued under applicable law from time to time.

“Audit Committee of the Board” means the audit committee constituted by the Board in accordance with the guidelines of the RBI and Companies Act, 2013, as amended from time to time.

“Board” means Board of Directors of the Bank.

“Key Managerial Personnel” includes:

- i. the chief executive officer or the managing director or the manager;
- ii. the company secretary;
- iii. the whole-time director;
- iv. the chief financial officer;
- v. such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- vi. such other officer as may be prescribed under the Companies Act, 2013 from time to time.



“Listing Regulation” means SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, as amended from time to time.

“Material Modification” In addition to a Related Party Transaction approved by the Audit Committee or a material related party transaction approved by the Shareholders as the case may be, means any variation having an impact on the monetary limits already approved by the Audit Committee or Shareholders, as the case may be exceeding 10% of the transactions or ₹10 lakh (Ten Lakh Rupees only) whichever is lower in each case over and above the approved limits.

“Material Related Party Transaction” means a transaction with a related party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rupees One Thousand Crore or ten per cent (10%) of the annual turnover of the Bank as per the last audited financial statements of the Bank, whichever is lower.

Further, a transaction involving payments made to a Related Party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% of the Annual Turnover of the Bank as per the last audited financial statements of the Bank.

“Ordinary Course of Business” includes but not limited to a term for activities that are necessary, normal, and incidental to the business. These are common practices and customs of commercial transactions.

The following factors are indicative of a transaction being in the ordinary course of business:

- i. The transaction is normal or otherwise unremarkable for the business.
- ii. The transaction is frequent/regular and is in furtherance of the business.
- iii. The transaction is permitted by the Memorandum of Association of the Bank.
- iv. The transaction is a source of income for the business.
- v. Transactions that are part of the standard industry practice, even though the Bank may not have done it in the past.
- vi. The transactions which are common in the Banking industry.

“Policy” means this Related Party Transactions policy.

“Related Party” means related party as defined under Section 2(76) of the Companies Act, 2013, related party under the applicable accounting standards and as defined under the Listing Regulations.



“Related Party Transaction” means a transaction involving a transfer of resources, services or obligations between:

- (i) the Bank on one hand and a related party of the Bank on the other hand; or
- (ii) the Bank on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Bank, with effect from April 1, 2023 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:

Provided that the following shall not be a related party transaction

(a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and Companies Act, 2013, as amended from time to time;

(b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:

- i. payment of dividend;
- ii. subdivision or consolidation of securities;
- iii. issuance of securities by way of a rights issue or a bonus issue; and
- iv. buy-back of securities.

(c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the SEBI.

“Relative” means relative as defined under Section 2(77) of the Companies Act, 2013 and the rules prescribed thereunder.

3. Effective date

This policy shall be in effect from April 1,2022.



B) Policy

All related party transactions are required to be referred to the Audit Committee of the Board for approval in accordance with this Policy.

1. Identification of Potential Related Party Transactions

Each Director and Key Managerial Personnel (KMP) is responsible for providing declaration to the company secretary containing details of Related Parties and any additional information that the company secretary may reasonably request.

Each Director and Key Managerial Personnel is also responsible to update the company secretary/management of any changes in the above information immediately on him/he becoming aware of such changes.

The company secretary shall maintain a database of related parties containing the names of individuals and companies identified based on the definition of Related Party and declarations mentioned above, including any revisions therein, provided by the directors & Key Managerial Personnel. The list of Related Parties shall be updated whenever necessary and shall be reviewed on a timely basis and shall be communicated to the functional departmental heads.

The functional departmental heads shall submit, to the chief compliance officer of the Bank, chief risk officer of the Bank and the company secretary, the details of a proposed transaction with draft agreement or other supporting documents justifying that the transactions are on Arm's Length Basis and at prevailing market rates. Based on such information, the Company Secretary will facilitate for the necessary approval from the Audit Committee of the Board (ACB).

Approval on the procurement, Lending, Investment, Borrowing Activities of the Bank:

Before Borrowing, Lending, Investment and Procurement or any such transactions, the general confirmation on their Interest with the other party is to be taken from all the Directors & Key Managerial Personnel (Key Managerial Personnel as defined under the Companies Act, 2013) of the Bank before the approval of such proposals.

The interested person will be abstaining from the agenda items in the meetings.

2. Review and Approval of Related Party Transactions

The approval policy framework is given below:

All Related Party Transactions and subsequent material modifications	Prior approval of ACB
All Related Party Transactions and subsequent material modifications as approved by the Audit Committee of the Board .	Approval of the Board
i. All Material Related Party Transactions and subsequent material modifications as defined by Audit Committee.	Prior approval of Shareholders through ordinary resolution.



Related Party Transactions not on Arm's Length Basis nor in the Ordinary Course of Business and exceeding certain thresholds as prescribed under the Companies Act, 2013 read with its prescribed rules	
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3. General Criteria for Approval of Related Party Transactions

The criteria for approval of Related Party Transactions will be applicable as per the provisions of Companies Act, 2013, and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

All Related Party Transactions, other than:

- i. transactions between the Bank and wholly owned subsidiaries (if any) whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval; or
- ii. transactions which are in the Ordinary Course of Business; or
- iii. transactions which are on Arm's Length Basis,

shall require approval of the Audit Committee of the Board and/or the Board and/or shareholders in accordance with this Policy.

Audit Committee

All Related Party Transactions and subsequent material modifications shall be referred to the Audit Committee of the Board for review and prior approval. Only those members of the ACB, who are Independent Directors, shall approve related party transactions.

Further any member of the Audit Committee of the Board who has a potential interest in any Related Party Transaction shall abstain himself/herself from discussion and voting on the approval of the Related Party Transaction.

To review, approve, ratify, disapprove or reject a related party transaction, the Audit Committee of the Board must 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.

The Bank shall provide such information for review of the audit committee for approval of a proposed RPT as may be prescribed from time to time under Companies Act, Listing Regulations and any circulars, notification issued therein.

The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

All Related Party Transactions will be subject to approval matrix as mentioned in Annexure - A forming a part of this policy, as may be applicable and as amended from time to time:



Board of Directors

The Board shall review and approve (as appropriate) the Related Parties Transactions referred to it by the Audit Committee of the Board.

Except with the consent of the Board given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed under Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, the Bank shall not enter into any contract or arrangement with a related party with respect to:

- 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;
- f) such related party's appointment to any office or place of profit in the Bank, its subsidiaries or associates company (if any), and
- g) underwriting the subscription of any securities or derivatives thereof, of the Bank.

Provided that except with the prior approval of the shareholders by ordinary resolution, the Bank shall not enter into a transaction or transactions, where the transaction or transactions to be entered into:

(a) as contracts or arrangements with respect to clauses (a) to (e) above of section 188(1), with criteria as mention below-

(i) sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to 10% or more of the turnover of the Bank, as mentioned in clause (a) and clause (e) respectively of section 188(1);

(ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to 10% or more of net worth of the Bank, as mentioned in clause (b) and clause (e) respectively of section 188(1);

(iii) leasing of property of any kind amounting to 10% or more of the turnover of the Bank, as mentioned in clause (c) of section 188(1);

(iv) availing or rendering of any services, directly or through appointment of agent, amounting to 10% or more of the turnover of the Bank, as mentioned in clause (d) and clause (e) respectively of section 188(1);



Explanation - Limits specified in sub-clause (i) to (iv) above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

(b) is for appointment to any office or place of profit in the Bank, its subsidiary company or associate company (if any) at a monthly remuneration exceeding Rs.2.5 lakh as mentioned in clause (f) of section 188(1).

(c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the Bank exceeding 01% of the net worth as mentioned in clause (g) of section 188(1).

Explanation – [(1) The turnover or net worth referred in the above shall be computed on the basis of the audited financial statement of the preceding financial year of the Bank.]

(2) In case of wholly owned subsidiary, the resolution is passed by the holding company (if any) shall be sufficient for the purpose of entering into the transaction between the wholly owned subsidiary and the holding company.

A director who is interested in any contract or arrangements with a related party shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement and abstain from voting on the approval of such Related Party Transaction.

The information provided in the agenda of the Board meeting at which the resolution is proposed to be passed shall specifically cover the following:

- i. the name of the related party and nature of relationship;
- ii. the nature, duration of the contract and particulars of the contract or arrangement;
- iii. the material terms of the contract or arrangement including the value, if any;
- iv. any advance paid or received for the contract or arrangement, if any;
- v. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- vi. 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; and
- vii. any other information relevant or important for the Board to take a decision on the proposed transaction.

Shareholders' Approval

All Material Related Party Transactions, subsequent material modifications and all Related Party Transaction which are neither on Arm's Length Basis nor in the Ordinary Course of Business and exceeding certain thresholds as prescribed under the Companies Act, 2013 read with the prescribed rules shall require prior approval of the shareholders through ordinary



resolution and the Related Parties shall abstain from voting on such resolutions.

However, the requirements of approving Material Related Party Transactions would not be applicable in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016 subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 of the Companies Act, 2013 shall contain the following particulars namely:

- i. name of the related party;
- ii. name of the director or key managerial personnel (KMP) who is related, if any;
- iii. nature of relationship;
- iv. nature, material terms, monetary value and particulars of the contract or arrangement;
- v. any other information relevant or important for the members to take a decision on the proposed resolution and other disclosures as required under Companies Act, Listing Regulations and circulars, notification issued from time to time shall form part of related party transaction.

Any member of the Bank who has a potential interest in any Related Party Transaction shall recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

4. Material Related Party Transactions

In accordance with the provisions of the Listing Regulations and the terms of this Policy, all Material Related Party Transactions and subsequent material modifications (as defined) shall require prior approval of the shareholders through a resolution (i.e. ordinary resolution) and no related party shall vote to approve such resolutions whether the entity is a Related Party to the particular transaction or not:

Provided that prior approval of the Shareholders shall not be required for a Related Party Transaction to which a listed subsidiary (if any) is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of the Listing Regulations are applicable to such listed subsidiary.

For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

Provided that these requirements shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.



5. Decision regarding transaction in Ordinary Course of Business and at Arm's Length

The Audit Committee of the Board shall, in respect of the Related Party Transactions referred to them for approval, after considering the materials/ documents/ information placed before them; judge if the transaction is in the Ordinary Course of Business and meets the Arm's Length requirements.

6. Omnibus Approval on an Annual Basis

Audit committee of the Board (ACB) may grant omnibus approval for related party transactions proposed to be entered into by the Bank subject to the following conditions, namely:

- (a) the ACB 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 regarding the need for such omnibus approval and that such approval is in the interest of the Bank;
- (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 ACB may deem fit:

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, ACB may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

- (d) The ACB shall review, at least on a quarterly basis the details of Related Party Transactions entered into by the Bank pursuant to each of the omnibus approval given.
- (e) Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

The Audit Committee of the Board shall also consider the factors while specifying the criteria for making omnibus approval, namely: -

- i. repetitiveness of the transactions (in past or in future);
- ii. justification for the need of omnibus approval.

7. Related Party Transactions not approved 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 Bank would ratify the transaction from Audit Committee of the Board as and when, upon receipt of such information.



In case the Bank is not able to obtain prior approval from the Audit Committee of the Board, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Audit Committee of the Board 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 of the Board shall consider all of 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 and also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee of the Board under this Policy, and shall take any such action it deems appropriate. In any case, where the Audit Committee of the Board determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee of the Board, 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 of the Board has the authority to modify or waive any procedural requirements of this Policy.

Any contract or arrangement with Related Parties which is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting as may be required, and it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within 03 months from the date on which such contract or arrangement was entered into, then such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a Related Party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it. The Bank can proceed against such director or employee to recover any loss sustained by it as a result of such contract or arrangement.

8. Reporting of Related Party Transactions

Every contract or arrangement with Related Parties referred to in section 188 (1) of the Companies Act, 2013 will be disclosed by the Bank in the Board's Report in accordance with Section 134(3)(h) of the Companies Act, 2013 in such form and manner as may be specified.

The details of Material Related Party Transactions will be included in the corporate governance reports which are required to be submitted to the stock exchanges on a quarterly basis.

This Policy shall be disclosed on the Bank's website and a web link thereto shall be provided in the Annual Report of the Bank.

The Bank shall submit the half yearly disclosures of Related Party Transactions on a standalone basis, within the timeline and manner as specified in SEBI (Listing Obligations and Disclosure Requirements) and publish the same on its website.



9. Review of the Policy and Amendments

This Policy shall be reviewed by the Board at least once in every 03 years or whenever there is any changes or amendments in the act/rules/regulations and updated accordingly or as may be otherwise prescribed by the Audit Committee of the Board/ Board from time to time.

Any change in the Policy shall be approved by the Board and any subsequent amendment/modification in applicable laws, rules, regulations and accounting standards shall automatically apply to this Policy.



Annexure A

All Related Party Transactions will be subject to following approval matrix, as may be applicable and as amended from time to time:

Provisions	Ceiling on the amount	Approval Required		
		Audit Committee	Board	Shareholders
Transactions in the ordinary course of business and on arm's length basis	Up to 10% of the Annual Consolidated turnover of the Bank	✓	-	-
	In the excess of above limit	✓	✓	✓
Transactions either not in the ordinary course of business or arm's length basis				
Sale, purchase or supply of any goods or materials, directly or through appointment of agent		✓	✓	✓ Exceeding 10% of the turnover
Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent.		✓	✓	✓ Exceeding 10% of the net worth
Leasing of property of any kind.		✓	✓	✓ Exceeding 10% of the turnover
Availing or rendering of any services, directly or		✓	✓	✓ Exceeding 10%



through appointment of agent				of the turnover
Appointment of any related party to any office or place of profit in the Bank, its subsidiary company or associate company		✓	✓	✓ Monthly remuneration exceeding two and half lakh rupees
Underwriting the subscription of any securities or derivatives thereof, of the Bank		✓	✓	✓ Remuneration exceeding 1% of net worth
Any other transaction with related parties, other than those covered above, resulting in transfer of resources, obligations or services		✓	For Transactions that are not on arm's length basis.	Exceeding 10% of the annual consolidated turnover of the Bank Note: All related parties to abstain from voting

Note: In case of shareholders' approval for such transactions, related parties shall abstain from voting.