

## **POLICY ON RELATED PARTY TRANSACTIONS**



## **1. OBJECTIVE:**

As per the requirement under Regulation 23 (1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the following policy on dealing with related party transactions has been recommended by the Audit Committee and adopted by the Board of directors (the "Board") of The Federal Bank Limited (the "Bank"). The objective of this policy is to establish transparency on the dealings of the bank with its related parties and to prevent any conflict of interest in the implementation of transactions involving such related parties. Audit Committee of the board shall review the policy from time to time.

## **2. DEFINITIONS:**

### **a) Annual consolidated Turnover:**

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.

### **b) 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.

### **c) Audit Committee:**

Audit committee means Committee of Board of Directors of the Bank constituted under provisions of SEBI Listing regulations.

### **d) Material Transaction:**

"Material transaction" shall have the same meaning as defined under the SEBI Listing Regulations, as may be amended from time to time.

### **e) Material Subsidiary:**

Material subsidiary for the purpose of this Policy shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

### **f) Related Party:**

"Related Party" shall mean a person or entity that is related to the company as defined under Section 2(76) of the Companies Act, 2013 or under Regulation 2 (1) (zb) of the SEBI Listing Regulations as may be amended from time to time.

### **g) Related Party Transactions:**

"Related Party Transaction" shall mean all transactions as per Regulation 2 (1) (zc) of the SEBI Listing Regulations as may be amended from time to time.

## **3. IDENTIFICATION OF RELATED PARTY AND RELATED PARTY TRANSACTIONS:**

A Related party will be brought to the attention of the Management / Functional teams and Board / Audit committee atleast on an annual basis by the Secretarial Department and the list of

Related Party shall be updated whenever necessary and reviewed on a timely basis and would be communicated to the functional departments.

Each Director and Key Managerial Personnel is responsible for providing declaration to the Secretarial department about the Related Party involving him or her or his or her Relative, including any additional information that the Company Secretary may reasonably request.

The functional departments shall submit to the Head of Finance and Accounts and the Company Secretary, the details of proposed transaction (except those for which omnibus approval has been granted by the Audit Committee as explained subsequently) with draft agreement or other supporting documents justifying that the transactions are on arm's length basis at prevailing market rate. Based on such information, Finance and Accounts department will facilitate for the necessary approval from the Audit Committee.

#### **4. APPROVALS FOR RELATED PARTY TRANSACTIONS:**

i) All Related Party Transactions shall require prior approval of the Audit Committee, except the transactions specified under Regulation 23 (5) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

ii) All Related Party Transactions which are falling within the scope of Section 188 of the Companies Act, 2013 not exceeding the limits prescribed shall require approval of the Board.

iii) All Related Party Transactions which are falling within the scope of Section 188 of the Companies Act, 2013 and exceeding the limits prescribed shall require prior approval of the shareholders through an ordinary resolution and the related parties shall abstain from voting on such resolutions.

#### **5. DECISION REGARDING TRANSACTION IN ORDINARY COURSE OF BUSINESS AND AT ARM'S LENGTH:**

The Audit Committee or the Board shall after considering the materials placed before them judge if the transaction is in the ordinary course of business and meets the arm's length requirements.

#### **6. OMNIBUS APPROVAL BY AUDIT COMMITTEE FOR RELATED PARTY TRANSACTIONS:**

(a) the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the Bank and such approval shall be applicable in respect of transactions which are repetitive in nature;

(b) the audit committee shall satisfy itself 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 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 Bank 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.

**7. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

In the event the Bank becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee.

The Audit Committee 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. In case the Bank is not able to take prior approval from the Audit Committee, 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 as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

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, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

**8. DISCLOSURE OF THE POLICY**

This Policy shall be uploaded in the website of the Bank at <http://www.federalbank.co.in>. The Bank shall also disclose the details of all material Related Party Transactions on a quarterly basis along with the compliance report on corporate governance filed with the stock exchanges under SEBI Listing Regulations as amended from time to time.

**9. POLICY REVIEW**

This Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the Policy due to change in regulations or as may be felt appropriate by the Audit Committee.

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