



DHANLAXMI BANK

POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS

Version 4.0

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Sr.No.	Name	Designation	Purpose
1	Mr. Venkatesh. H	Company Secretary & Secretary to	Review and Sign off
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Dividend Distribution Policy	Head-Secretarial Department	Department Heads	MD &CEO	Audit Committee	Board
	R/A	C	C/I	I	I

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1. TITLE

This Policy shall be called “Policy on Materiality of and Dealing with Related Party Transactions of Dhanlaxmi Bank Limited”.

2. LEGAL FRAMEWORK

Related party transactions have been one of the major areas of focus for the corporate governance reforms being initiated by Indian legislature. According to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR, 2015), it is mandatory for the listed entities to formulate a policy on materiality of and dealing with related party transactions including clear threshold limits duly approved by the Board of Directors and such Policy shall be reviewed by the Board of Directors at least once in every three years and updated accordingly. This policy is accordingly formulated to regulate the transactions between the Bank and its related parties based on the laws and regulations applicable to the Bank.

3. OBJECTIVE

This Policy is intended to ensure proper approval and reporting of transactions between the Bank and any of its related party/ies in the best interest of the Bank and its stakeholders. The Policy aims at addressing issues of conflict of interest which might arise in dealing with transactions between the Bank and related parties.

4. DEFINITIONS

- (a) “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.
- (b) “Audit Committee” means the Audit Committee constituted by the Board of Directors of the Bank in accordance with applicable laws and regulations, including the Companies Act, 2013 and the Listing Agreement.
- (c) “Board” means the Board of Directors of Dhanlaxmi Bank Limited.
- (d) “Bank” means Dhanlaxmi Bank Limited.
- (e) “Key Managerial Personnel”, in relation to the Bank, means:-
 - 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; and
 - v) such other officer as may be prescribed
- (f) “Manager” means an individual who, subject to the superintendence, control and

direction of the Board of Directors, has the management of the whole, or substantially the whole, of the affairs of the Bank, and includes a director or any other person occupying the position of a manager, by whatever name called, whether under a contract of service or not.

- (g) A transaction with a related party shall be considered a “Material Related Party Transaction” if the transaction / 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.

However, 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 five percent of the annual consolidated turnover of the Bank as per the last audited financial statements of the Bank.

- (h) “Policy” means “Policy on Materiality of and Dealing with Related Party Transactions of Dhanlaxmi Bank Limited”, as amended from time to time.

- (i) “Related Party” in relation to the Bank, means:-

- i) a Director or his relative;
- ii) a KMP 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 or his relative is a member or director;
- v) a public company in which a Director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- vi) 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;
- 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;

- viii) any holding / subsidiary / associate company or another subsidiary of the holding company;
- ix) a Director, other than independent Director, or KMP of a holding company or his relative;
- x) such other person, as may be prescribed by the Companies Act, 2013 and rules made there under, SEBI Regulations, Listing Agreement and Accounting Standards

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and / or operating decisions.

- (j) A person shall be deemed to be the “Relative” of another, if he or she is related to another in the following manner, namely:-
- i) Members of a common HUF;
 - ii) Spouse;
 - iii) Father (including step-father);
 - iv) Mother (including step-mother);
 - v) Son (including step-son);
 - vi) Son’s wife;
 - vii) Daughter;
 - viii) Daughter’s husband;
 - ix) Brother (including step-brother);
 - x) Sister (including step-sister)
- (k) A “Related Party Transaction” means a transfer of resources, services or obligations between the Bank 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.

5. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

Every Director and KMP is responsible for providing notice to the Board / Audit Committee of any potential related party transaction involving him or her or his or her relative, including any additional information about the transaction that the Board / Audit Committee may reasonably request. The Board / Audit Committee will determine whether the transaction does, in fact, constitute a related party transaction requiring compliance with this Policy.

The Bank strongly prefers to receive such notice of any potential related party transaction well in advance so that the Board / Audit Committee has adequate time to obtain and review information about the proposed transaction.

6. INDEPENDENT DIRECTORS AND RELATED PARTY TRANSACTIONS

A person shall not be considered for the purpose of appointment or continuing as an independent Director of the Bank in a financial year if he has or had material pecuniary relationship with the Bank or any of the Directors, apart from receiving Director’s remuneration, during that financial year or the two financial years immediately preceding that financial year.

7. NON-MATERIAL TRANSACTIONS AND PECUNIARY RELATIONSHIPS

For the purposes of this Policy, Directors, including independent Directors, and KMP may enter into transactions with the Bank in the ordinary course of its business at arm's length prices where such transactions does not involve a consideration or commercial value exceeding Rs.1 crore in the aggregate during a financial year and the same will be deemed to be a non-material transaction. However, they shall not enter into any negotiated transactions, contracts or other arrangements with the Bank without complying with the other provisions of this Policy.

Further, any transaction that involves providing of compensation to a KMP in connection with his or her duties to the Bank, including reimbursement of reasonable business and travel expenses incurred in the ordinary course of business, will be a non-material transaction for the purposes of this Policy.

Any transaction in which the interest of the related party 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 will also be deemed to be a non-material transaction.

8. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS BY THE BOARD / AUDIT COMMITTEE

As per Regulation 23 of SEBI LODR, 2015, all related party transactions shall require prior approval of the Audit Committee.

All related party transactions pursuant to section 188 of the Companies Act, 2013 which are not in the ordinary course of business or not an arms' length transaction shall require prior approval of the Board.

A related party transaction shall be placed before the Audit Committee / Board for review / approval as per the requirements of the Companies Act, 2013, Listing Agreement and other applicable laws and regulations.

The Audit Committee / Board shall 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 matter. In addition while reviewing the transactions, the Audit Committee / Board shall be entitled to call for additional information or opinions of expertise at the cost of the Bank and also to demand for the attendance of any officer or other employee of the Bank. In determining whether to approve a related party transaction, the Audit Committee / Board will consider the following factors, among others, to the extent relevant to the related party transaction:-

- Whether the terms of the related party transaction are fair and on arm's length basis to the Bank and would apply on the same basis if the transaction did not involve a related party;

- Assessing the business reasons for the Bank to enter into the related party transaction and the nature or availability of alternative transactions, if any;
- Whether the related party transaction would affect the independence of an independent Director;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- Whether the Bank was notified about the related party transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Bank; and
- Whether the related party transaction would present an improper conflict of interest for any Director or KMP of the Bank, taking into account the size of the transaction, the overall financial position of the Director, KMP or other related party, the direct or indirect nature of the interest of the Director, KMP or other related party in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee / Board deems relevant

Where any Director is interested in any related party transaction, such Director will abstain from discussion and voting, in the Audit Committee / Board, on the subject matter of the resolution relating to such transaction.

The Bank will entertain only such transactions which are in the interest or are beneficial to the Bank and are at arm's length.

9. APPROVAL OF RELATED PARTY TRANSACTIONS BY SHAREHOLDERS

The Bank may enter into any material related party transactions as defined in this Policy only with the prior approval of the shareholders by way of an ordinary resolution passed either at a meeting of the shareholders or by way of a postal ballot in accordance with the applicable provisions of the Companies Act, 2013 and the rules made there under and the Listing Agreement, as amended from time to time.

All related party transactions (other than material related party transactions) pursuant to section 188 of the Companies Act, 2013 which are not in the ordinary course of business or not an arms' length transaction and cross the threshold limits prescribed under Companies Act, 2013, the rules made thereunder, or any modifications thereof, require the prior approval through an ordinary resolution passed by the shareholders of the Bank. No related party shall vote to approve any such resolution whether the entity is a related party to the particular transaction or not.

No member of the Bank shall vote on ordinary resolution, to approve any contract or arrangement which may be entered by the Bank, if such member is a related party to the contract or arrangement for which the ordinary resolution is being passed. However, in

case of material related party transactions, all entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

Any proposal on a related party transaction to be placed before the shareholders for approval pursuant to the aforementioned provisions shall be approved by the Audit Committee / Board as required by the Companies Act, 2013 and SEBI LODR, 2015.

10. OMNIBUS APPROVAL FOR RELATED PARTY TRANSACTIONS

The Audit Committee may grant omnibus approval for related party transactions proposed to be entered into by the Bank subject to the following conditions, namely:-

i) The Audit Committee shall, after obtaining approval of the Board, 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;

ii) The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Bank;

iii) The omnibus approval shall specify:-

- The name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into;
- The indicative base price / current contracted price and the formula for variation in the price if any; and
- Such other conditions as the Audit Committee may deem fit

iv) Where the need for related party transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

v) 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.

All omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.

11. MANNER OF DEALING WITH ESCAPED TRANSACTIONS

Where 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 / Board. The Audit Committee / 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. The Audit Committee / Board shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee / Board under this Policy and may recommend any action it deems appropriate to be taken.

12. CEILING OF RELATED PARTY TRANSACTIONS

Particulars	Approval Required		
	Audit Committee	Board	Shareholder
Transactions in the ordinary course of business and on arms' length basis			
Upto 10% of the annual consolidated turnover	Yes		
Exceeding 10% of the annual consolidated turnover	Yes	Yes	Yes
Transactions not in the ordinary course of business or not on arms' length basis			
Sale, purchase or supply of any goods or materials, directly or through appointment of agent	Yes	Yes	Yes, if the amount exceeds 10% of the turnover or Rs. 100 crore, whichever is less
Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent	Yes	Yes	Yes, if the amount exceeds 10% of the networth or Rs. 100 crore, whichever is less
Leasing of property of any kind	Yes	Yes	Yes, if the amount exceeds 10% of the turnover or 10% of the networth or Rs. 100 crore, whichever is less
Availing or rendering of any services, directly or through appointment of agent	Yes	Yes	Yes, if the amount exceeds 10% of the turnover or Rs. 50 crore, whichever is less

Appointment of any related party to any office or place of profit	Yes	Yes	Yes, if the monthly remuneration exceeds Rs.2.50 lakh
Underwriting the subscription of any securities or derivatives thereof	Yes	Yes	Yes, if remuneration exceeds 1% of networth
Any other transaction with related parties, other than those covered above, resulting in transfer of resources, obligation or services	Yes	Yes, for transactions that are not on arm's length basis	Yes, if the amount exceeds 10% of the annual consolidated turnover

13. DISCLOSURE

Details of contracts or arrangements entered into with related parties have to be disclosed in the Board's Report along with the justification for entering into such contracts or arrangements. The same shall be placed before Audit Committee for its review and then to the Board as part of Directors Report for approval.

The Bank shall keep a register in the prescribed form giving the particulars of all contracts or arrangements in such manner and containing particulars duly authenticated by the authorized official of the Secretarial Department and thereafter the same shall be placed before the next meeting of the Board.

Necessary disclosures shall be made in the Annual Financial Statements as required under relevant Accounting Standards and RBI guidelines. Further, as required under the Listing Agreement, necessary details of all materially significant related party transactions, which may have potential conflict with the interests of the Bank at large, shall also be given in Report on Corporate Governance section in Annual Report.

Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on Corporate Governance.

The Bank shall disclose this Policy on its website and also in the Annual Report by way of a web link as required by applicable laws, rules and regulations.

All related party transactions that are required to be disclosed in the Bank's filings with the stock exchanges, as required by the Listing Agreement and related rules and regulations, shall be so disclosed in accordance with such laws, rules and regulations.

The Bank shall submit within 30 days from the date of publication of its financial results for

the half year, disclosures of related party transactions, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

14. RECORDS AND SUPPORTING DOCUMENTS ON RELATED PARTY TRANSACTIONS

All disclosures and supporting documents on related party transactions shall be preserved for a period of eight years from the end of the financial year to which it relates and shall be kept in the custody of the Secretarial Department or any other person as may be authorized by the Board for this purpose.

15. INTERPRETATION

Any words used in this Policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or rules made there under, SEBI Act or rules and regulations made there under, Listing Agreement, Accounting Standards or other applicable laws and regulations.

In case of any dispute or difference on the meaning/interpretation of any word or provision in this Policy, the same shall be referred to the Board and the decision of the Board in such a case shall be final. In interpreting such term / provision, the Board may seek the help of any of the officers of the Bank or an outside expert as it deems fit.

16. AMENDMENTS TO THE POLICY

The Bank will comply with the provisions of Section 188 of the Companies Act, 2013 read with Rule 15 and Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014 and other rules made there under, provisions of Regulation 23 of SEBI LODR, 2015, relevant Accounting Standards, guidelines issued by Reserve Bank of India and other applicable rules and regulations, as amended from time to time, with regard to related party transactions.

In case of any amendment (s), clarification (s), circular (s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions in this Policy and this Policy shall stand amended accordingly.

The Board has the power to replace this Policy entirely with a new policy.