

Related Party Transactions Policy

I. Background

The section 177 and 188 of the Companies Act, 2013 (the Act), along with relevant Rules framed thereunder contain compliance and approval requirements regarding the related party transactions. Further, Regulation 62K of Securities and Exchanges Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 specifies that HVDLE should comply with the provisions of Regulation 23 except for regulation 23(8) and regulation 23(9) in respect of related party transactions. Regulation 23 of SEBI (LODR) Regulations, 2015 ("Listing Regulations") also contain certain approval requirements regarding the related party transactions. Regulation 23 of the Listing Regulations requires the listed companies to formulate a policy on dealing with related party transactions.

Accordingly, the Company has adopted this policy with regard to related party transactions.

II. Definitions

"Arm's length basis/ Arm's length transaction":

In terms of the Companies Act, the expression '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.

A transaction with a related party will be considered to be on arm's length basis if the key terms, including pricing of the transaction, taken as a whole, are comparable with those of similar transactions if they would have been undertaken with unrelated parties.

"Material modification" as per Regulation 23, means a change in overall pricing or rate for a related party transaction by more than 20% subsequent to entering into a contract or arrangement, the aggregate value of which during the previous financial year or current financial year till the date of modification was more than ₹ 500.00 million. A contract or arrangement where same pricing or rates are offered uniformly to all customers/service providers or any change in pricing or terms in a contract arising on account of change in law or order of a statutory authority shall not be considered as material modification.

Material related party transaction as per Listing Regulations means a transaction with a related party if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds the

thresholds specified in Schedule XII to Listing Regulations, which currently for the Company is 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company

Transaction(s) 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 consolidated turnover of the Company as per the last audited financial statements of the Company.

Material related party transaction as per Companies Act means transactions as provided in Section 188(1) of the Act entered into with a related party as defined under Section 2 (76) of the Act that is not in the ordinary course of business or not on an arm's length basis and exceeds the threshold as specified in Rule 15 of Companies (Meetings of the Board and its Powers) Rules, 2015

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 ordinary course of business covers the usual transactions, customs and practices related to the business.

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
- iii. The transaction is a source of income for the business
- iv. Transactions that are part of the standard industry practice, even though the Company may not have done it in the past.

These are not exhaustive criteria and the Company will have to assess each transaction considering its specific nature and circumstances.

Related party means related party as defined in Reg. 2(1)(zb) of Listing Regulations and includes following:

- i. a director or his relative;
- ii. a key managerial personnel (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. 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;

viii. any body corporate which is-

- a. a holding, subsidiary or an associate company of such company;
- b. a subsidiary of a holding company to which it is also a subsidiary; or
- c. an investing company or the venturer of the company;

The “investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

ix. a director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company (as per Companies (Specification of Definitions Details) Rules, 2014);

x. a related party as defined under applicable accounting standards;

xi. any person or entity belonging to the promoter or promoter group of the listed entity

xii. any person or any entity, holding equity shares of 10.0% or more in the Company either directly or on a beneficial interest basis as provided under section 89 of the Act, at any time, during the immediate preceding financial year

Related party transaction means a transaction involving a transfer of resources, services or obligations between:

- i. The Company or any of the subsidiaries of the Company on one hand and a related party of the Company or any of subsidiaries of the Company on the other hand; or

The Company or any of the subsidiaries of the Company 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 Company or any of the subsidiaries of the Company,; 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:

- 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;
- the following corporate actions 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;
- acceptance of fixed deposits (including payment of interest thereon) 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 exchanges in the format as specified by SEBI

- acceptance of current account deposits and saving account deposits (including payment of interest thereon) in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time
- retail purchases from the Company or its subsidiary by the directors or key managerial personnel of the Company or its subsidiary, and relatives of such directors or key managerial personnel, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees, directors, key managerial personnel and relatives of directors or key managerial personnel

For the purpose as above, “retail purchases” would mean purchase/availing of products and services offered by the Company in the ordinary course of its business, or, in case of any related party transaction by any of its subsidiary, by such subsidiary in ordinary course of its business, through retail channels, that is to say, branches or business outlets through which the Company/subsidiary services its retail customers, on terms which are uniformly offered to all employees as per applicable policies of the Company/subsidiary, subject, however, to applicable regulations.

Provided further the units issued by mutual funds, which are listed on a recognised stock exchange(s) will not be considered as related party transactions

Significant influence means control of at least 20% of total voting power, or control of or participation in business decisions under an agreement.

Turnover has been defined as the gross amount of revenue recognised in the profit and loss account from the sale, supply, or distribution of goods or on account of services rendered, or both, by a company during a financial year Accordingly, for the Company, the ‘turnover’ is considered as the ‘Total Income’, i.e., total of interest income and other income.

It may be noted that this policy framework, including the definitions above, is meant solely for the purposes of compliance with related party transaction requirements under Companies Act, 2013 and Listing Regulations. The above terms may have different connotations for other purposes like disclosures in the financial statements, which are governed by applicable regulations, accounting standards, regulatory guidelines, etc.

III. Approval of related party transactions

A. Audit Committee

All related party transactions and subsequent material modification, where Company is one of the parties to the transaction should be pre-approved by the Audit Committee of the Company before entering into such transaction.

The Audit Committee shall consider all relevant factors while deliberating the related party transactions for its approval. The Audit Committee may not approve a transaction but may make appropriate recommendations to the Board.

Only those members of the Committee, who are independent directors, shall approve related party transactions. A related party transaction, which is (i) not in the ordinary course of business, or (ii) not at arm's length price, would require approval of the Board of Directors or of shareholders as discussed subsequently.

The Audit Committee may grant omnibus approval for related party transactions proposed to be undertaken by the Company, which are repetitive in nature and subject to certain criteria/conditions as required under Regulation 23(3) of Listing Regulations, Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014 and such other conditions as it may consider necessary in line with this policy and in the interest of the Company. Such omnibus approval shall be valid for one financial year. Where the need for Related Party Transaction cannot be foreseen and specified details as required in Regulation 23(3) of Listing Regulations and Rule 6A are not available, the Audit Committee may grant an omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

Below related party transaction would be exempted from obtaining the approval from the Audit Committee of the Company –

- transaction between two wholly owned subsidiaries of the Parent Bank;
- Remuneration and sitting fees paid by the Company to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, provided that the same is not a material related party transaction as per Listing Regulations

Audit Committee shall review, on a quarterly basis, the details of related party transactions entered into by the Company or its subsidiary pursuant to each of the omnibus approval given. In connection with any review of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this policy.

A related party transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Committee will be placed before the Committee for ratification.

The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the conditions as specified in Regulation 23(2)(f) of Listing Regulations.

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 Company, including ratification, revision or termination of the related party transaction. 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 or rescission of the transaction.

A transaction, not covered in omnibus approval, amounting upto ₹10.0 million, entered by a director, KMP or any other officer of the Company, on whose directions or instructions the Board of Directors or director(s) are accustomed to act, would be voidable at the option of the Audit Committee, unless it has been ratified by the Audit Committee within three months from the date of the transaction.

Failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

The Audit Committee of the Company shall be provided with minimum information in accordance with the requirements of the Listing Regulations, the Act, the rules made thereunder as amended from time to time or as requested by the Audit Committee.

B. Board of Directors

In case any related party transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not on an arm's length basis, or (iii) a transaction not approved but recommended by the Audit Committee, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any related party transaction shall not vote to approve the related party transaction.

All material related party transactions as per Listing Regulations shall be recommended for approval by the Board of Directors to the shareholders. Further, all

material related party transactions as per the Companies Act shall be pre-approved by the Board of Directors and recommended for approval to the shareholders.

The Board of Directors of the Company shall be provided with minimum information in accordance with the requirements of the Listing Regulations, the Act, the rules made thereunder as amended from time to time.

C. Shareholders

Material related party transaction or a subsequent material modification will require prior approval of the shareholders through resolution and no related parties will vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

The following material related party transactions will be exempt from obtaining the approval from the shareholders of the Company:

- The Company's transactions with its Parent Bank as the Company being a wholly-owned subsidiary;
- Transaction between two wholly-owned subsidiaries of the Parent Bank;

If a related party transaction, entered by the Company, is not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Companies Act, 2013 and rules made thereunder it shall require shareholders' approval by a resolution. In such a case, any member who is a related party having interest in the transaction for which resolution is being proposed, shall not vote on such resolution passed for approving related party transaction. However, such transactions between the Company and its Parent Bank will be exempt from shareholders' approval.

IV. Reporting of related party transactions

The Company will disclose every contract or arrangement, entered into under Section 188(1) of the Act, which is approved by the Board/shareholders under this Policy, in its Board's report to the shareholders along with the justification for entering into such contract or arrangement.

The Company will include details of material related party transactions in the Related party transactions note on a quarterly basis.

The Company will submit the details of related party transactions as per Listing Regulations to the stock exchanges in the prescribed format and publish the same on the Company's website along with its standalone financial results for the half year.

The details of materially significant related party transactions that may have potential conflict with the interests of the Company, shall be included in the Corporate Governance Report which forms part of the Annual Report of the Company.

V. Policy Review

The Policy is framed based on the provisions of the SEBI Listing Regulations, the Companies Act and rules thereunder and other applicable laws. In case of any subsequent changes in the applicable provisions, clarifications, Frequently Asked Questions (FAQs) issued under applicable laws, regarding related party transactions, the relevant amended provisions would prevail over this Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

This Policy shall be reviewed by the Board as and when any changes are to be incorporated in the Policy due to change in applicable law or at least once in every three years and updated accordingly.

**CIRCULAR RESOLUTION
Related Party Transaction Policy**

“RESOLVED THAT the Related Party Transaction Policy as recommended by the Audit Committee be and is hereby considered and approved.”

Date:

Place:

I, hereby provide my assent to the above resolution:

Name of Directors	Signature
Rakesh Jha	
Vineeta Rajadhyaksha	
Dilip Kumar Pal	
G. Gopalakrishna	
Sandhya Gadkari Sharma	
Suvalaxmi Chakraborty	
Ajay Kumar Gupta	