

RELATED PARTY TRANSACTION POLICY

1. Preface

The Board of Directors (the “Board”) of Central Bank of India, has adopted the following policy and procedures with regard to Related Party Transactions as defined below in accordance with Clause 49 of the Listing Agreement entered into with the Stock Exchanges, as part of Corporate Governance norms. However, the Bank shall comply with the provisions of clause 49 of the Listing Agreement to the extent it does not violate our respective statutes and guidelines or directives issued by regulatory authorities as the Bank is not a company under Companies Act but a body corporate constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and is regulated by Reserve Bank of India. The Audit Committee of the Board will review and may amend this policy from time to time.

The policy has been formulated to regulate transactions between the Bank and its Related Parties based on the laws and guidelines applicable to the Bank.

2. Objective

The policy is framed as per the requirements of Clause 49 of the Listing Agreement entered into by the Bank with the Stock Exchanges effective from 1st October 2014 and intended to ensure proper approval and reporting of transactions between the Bank and its Related Parties. Such transactions shall be appropriate only, if they are in the best interest of the Bank and its shareholders.

3. Definitions

“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.

“Associate” means an enterprise in which the Bank has significant influence and which is neither a subsidiary nor a joint venture of the Bank.

“Audit Committee of the Board (ACB)” **ACB** means a Committee of the Board constituted by the Board of Directors as per the guidelines of the Reserve Bank of India(RBI). The ACB provides direction as well as overseeing the operation of the total audit function of the Bank, which includes the organization, operationalisation and

quality control of internal audit and inspection within the Bank and follow –up on the statutory/external audit of the Bank and inspections of the RBI.

“**Board**” means Board of Directors of the Bank in terms of Section 9 (3) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.

“**Control**” - (a) ownership, directly or indirectly, of more than one half of the voting power of the Bank, or
(b) control of the composition of the board of directors of the Bank
(c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the Bank.

“**Joint Venture**” means a contractual arrangement whereby two or more parties undertake an economic activity, which is subject to joint control.

“**Key Managerial Personnel (KMP)**” means those persons who have the authority and responsibility for planning, directing and controlling the activities of the Bank. Only Executive Directors & Chairman and Managing Director are considered as KMP.

“**Material Related Party Transaction**” means a transaction with a related party if the 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.

“**Policy**” means Related Party Transaction Policy.

“**Related Party**” –Parties are considered to related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

“**Related Party Transaction**” is a transfer of resources, services or obligations between the Bank and a related party, regardless of whether a price is charged.

“**Relative**” – in relation to an individual, means the spouse, son, daughter, brother, sister, father and mother who may be expected to influence, or to be influenced by, that individual in his/her dealings with the reporting enterprises.

“**Subsidiary**” means a company :

- (a) in which the Bank holds, either by itself and/or through one or more subsidiaries, more than one-half in nominal value of its equity share capital; or
- (b) of which the Bank controls either by itself and/or through one or more subsidiaries, the composition of its Board of Directors.

4. Disclosures

Pursuant to requirements of clause 49 VIII of the Listing Agreement, the Bank is required to disclose to the Stock Exchanges the details of all material transactions with related parties quarterly along with the compliance report on corporate governance. The policy on dealing with Related Party Transactions is also required to be disclosed on Bank’s website and a web link thereto to be provided in the Annual report.

Details of contract(s) or arrangement(s) with related parties shall be disclosed in the Board’s Report along with the justification. The Board’s Report shall be placed before Audit Committee for its review and then to the Board for approval.

The Reserve Bank of India vide its Master Circular No. DBOD.BP.BC No.8/21.04.018/2014-15 dated July 1, 2014 on Disclosure in Financial Statements - Notes to Accounts, has provided detailed guidance to Banks in the matter of disclosures in the ‘Notes to Accounts’ to the Financial Statements. The Accounting Standard 18 relating to Related Party Disclosures is applicable for reporting related party relationships and transactions between a reporting enterprise and its related parties. The illustrative disclosure format recommended by the ICAI as a part of General Clarification (GC) 2/2002 has been suitably modified by RBI to suit Banks and the illustrative format of disclosure by banks for the AS 18 is annexed as Annexure -1. The Disclosures shall be made in accordance with this Policy.

5. Policy

- 5.1 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 proposed to be entered into by the Bank subject to the following conditions:

- 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 the need for such omnibus approval and that such approval is in the interest of the Bank;
- c. 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;

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 Rs.1 crore per transaction.

- d. 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.
- 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"

5.2 All material Related Party Transactions shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions.

Provided that the rules mentioned in points 5.1 & 5.2 shall not be applicable in the following cases:

- (i) transactions entered into between two government companies;***
- (ii) transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.***

Explanation(i):For the purpose of Clause 49(VII), "Government company" shall have the same meaning as defined in Section 2(45) of the Companies Act, 2013."

Explanation(ii):For the purpose of Clause 49(VII), 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."

5.3 Type of Related Party Transactions to be covered

In line with RBI Master Circular DBOD.BP.BC.No.8/21.04.018/2014-15 dated July 1, 2014- Disclosure in Financial Statements - Notes to Accounts (Accounting Standard 18), the following transactions will be covered such as:

- i) Borrowings
- ii) Deposit
- iii) Placement of deposits
- iv) Advances
- v) Investments
- vi) Non-funded commitments
- vii) Leasing/HP arrangements availed
- viii) Leasing/HP arrangements provided
- ix) Purchase of fixed assets
- x) Sale of fixed assets
- xi) Interest paid
- xii) Interest received
- xiii) Rendering of services
- xiv) Receiving of services
- xv) Management contracts

5.4 List of Related Parties

- (a) Key Managerial Personnel
- (b) Subsidiaries (At present, Cent Bank Financial Services Ltd. and Cent Bank Home Finance Ltd.)
- (c) Associates : At present, following are associates
 - (I) Regional Rural Banks-
 - i) Central Madhya Pradesh Gramin Bank
 - ii) Uttar Bihar Gramin Bank
 - iii) Uttarbanga Kshetriya Gramin Bank
 - (II) Indi – Zambia Bank Limited

5.5 Procedure for seeking approval of Related Party Transactions

As and when any transaction is contemplated with any Related Party, the concerned office entertaining the request shall submit to the Board Secretariat at Central Office, 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, the Board Secretariat shall appropriately take it up for necessary prior approvals from the Audit Committee at its next meeting and convey back the decision to the originator.

The Board Secretariat shall maintain records indicating particulars of all contracts or arrangements and thereafter the same shall be placed before the next meeting of the Board.

5.6 Review and Approval of Related Party Transactions

Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. All Members of the Committee falling under the definition of related parties shall abstain from voting irrespective of whether they are a party to the particular transaction or not.

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.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

- a. Any transaction that involves providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Bank or any of

its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.

- b. Any transaction in which the Related Party's interest 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.

6. Secrecy Provisions

In terms of paragraph 5 of Accounting Standard 18, the disclosure requirements do not apply in circumstances when providing such disclosures would conflict with the reporting enterprise's duties of confidentiality as specifically required in terms of statute, by regulator or similar competent authority. In terms of Paragraph 6 of Accounting Standard 18, in case a statute or the RBI or a similar competent authority governing the Bank prohibit the Bank from disclosing certain information which is required to be disclosed, non-disclosure of such information would not be deemed as non-compliance with the requirements of Accounting Standard 18. It is clear from the above that bank is obliged by the law to maintain confidentiality in respect of the customers' transactions and the accounting standard 18 would not override the obligation of the Bank to preserve the confidentiality of customers' dealings.

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

In the event the Bank becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The 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 Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, 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 has the final authority to modify or waive any procedural requirements of this Policy.

Annexure 1

Format for Related Party Disclosures

The manner of disclosures required by paragraphs 23 and 26 of AS 18 is illustrated below. It may be noted that the format is merely illustrative and is not exhaustive.

(Amount in INR crore)

Items / Related Party	Parent (as per ownership or control)	Subsidiaries	Associates/ Joint Ventures	KMP@	Relatives of KMP	Total
Borrowings#						
Deposit#						
Placement of deposits#						
Advances#						
Investments#						
Non funded commitments#						
Leasing arrangements availed#						
Leasing arrangements provided#						
Purchase of fixed assets						
Sale of fixed assets						
Interest paid						

Head Office: Chandermukhi, Nariman Point, Mumbai – 400 021

Interest received						
Rendering of services*						
Receiving of services*						
Management contracts*						

Note: Where there is only one entity in any category of related party, banks need not disclose any details pertaining to that related party other than the relationship with that related party

* Contract services etc. and not services like remittance facilities, locker facilities etc.

@ Whole time directors of the Board.

The outstanding at the year-end and the maximum during the year are to be disclosed.