



**POLICY ON MATERIALITY OF AND DEALING WITH
RELATED PARTY TRANSACTIONS
OF
THE SOUTH INDIAN BANK LIMITED**

Confidential

Version 4.0

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1. TITLE:

This Policy shall be called 'Policy on materiality of Related Party Transactions and dealing with Related Party Transactions'. This policy shall come into force with effect from 1st October, 2014 and shall be applicable to transactions made with:

- (a) Board of Directors & their Relatives;
- (b) Key Managerial Personnel (KMP) of the Bank & their Relatives; and
- (c) Related Parties, as defined in section 2(76) of the Companies Act, 2013/2(1)(zb) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and under applicable accounting standards

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 Regulation 23 (1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulates that the board of directors shall formulate a policy on materiality of related party transactions and on dealing with related party transactions. Further, the policy shall also be disseminated on the website of the listed entity and such policy shall be disclosed to Stock Exchanges and in the Annual Report. This policy is accordingly formulated to regulate transactions between the Bank and its Related Parties based on the applicable laws and regulations applicable on 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 between the Bank, KMPs and its 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 Company in accordance with applicable law, including the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and the Companies Act, 2013.



- c) “Board” means the Board of Directors of The South Indian Bank Ltd.
- d) “Company” means The South Indian bank Ltd.
- e) “Material Related Party Transaction” means a transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions with a Related Party during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the company as per the last audited financial statements of the company, whichever is lower.

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

“Material modification in a related party transaction” shall mean an amendment to the terms of a transaction/agreement/commitment with/to a Related Party, the effect of which will be an increase over the approved limit for a transaction, by an amount more than Rs. 25 (Twenty-Five) Crore in a financial year or 50% (fifty per cent) of the approved limit, whichever is higher, per occasion.

Provided that, with regard to the kind of transactions mentioned below, material modifications shall mean an amendment to the terms of transaction/agreement/commitment with/to a Related Party, the effect of which shall be as shown below:

Sl. no.	Nature of transaction	Increase in the transaction amount/rate of interest/fee/margin/other charges	Decrease in the transaction amount/rate of interest/fee/margin/other charges
1.	Rendering of services	Any increase in the transaction amount, the effect of which will result in the breach of the Bank’s exposure ceiling/the Credit policy of the Bank/the extant guidelines laid down by RBI.	<ul style="list-style-type: none"> i) Any decrease in the rate of interest/fees/margin/amount charged by the Bank, from the prevalent rates on loans with similar rating and tenor, issued by the Bank/ rate linked to bench marked rate with similar rating and tenor, issued by other Banks/Financial institutions. ii) Any decrease in the rate of interest/fee/margin, the effect of which will result in a higher concession on commercial aspects to the related party than what is allowed as per the



			Bank's extant Credit policy or the extant guidelines laid down by RBI.
2.	Investments made in related parties	Any increase in the investment amount/deviation in tenor of investment, the effect of which will result in the breach of the Bank's extant Investment Policy or the extant RBI guidelines regarding the maximum limit of investment permissible for Banks.	Any decrease in the rate of interest/deviation in tenor of investment etc., the effect of which will result in the breach of the Bank's extant Investment Policy or the extant RBI guidelines regarding investment for Banks.
3.	Demand Deposits	Any breach of any of the Bank's policies/extant RBI guidelines on the acceptance of demand deposits.	Any breach of any of the Bank's policies/extant RBI guidelines on the acceptance of demand deposits.

Provided that any deviation in the objectives or purposes for which any loan or deposit was given or funding was made or received shall be deemed to be a 'material modification', irrespective of the above-mentioned criteria.

Provided further that any increase/decrease/deviation with respect to the approved limit for a transaction as mentioned above, shall, in any case, be subject to the limits stipulated by the Reserve Bank of India, SEBI and Companies Act and rules made thereunder from time to time, via its Rules, notifications, circulars, policies etc.

The above provisions shall not be applicable to the transactions entered into between the Bank and its wholly owned subsidiary whose accounts are consolidated with the Bank and placed before the shareholders at the general meeting for approval. as provided under Regulation 23 of SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015.

- f) "Policy" means this Policy, as amended from time to time.
- g) "Related Party" in relation to the Company means a party related with the Company in any of the ways as are laid down in section 2(76) of the Companies Act, 2013 and Regulation 2(1) (zb) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 as amended from time to time read with Rule 4 of Companies (specification of definitions details) Rules, 2014, and under applicable accounting standards and includes:
- a) a director or his relative;
 - b) a key managerial personnel or his relative;
 - c) a director or KMP of holding Company,
 - d) a firm, in which a director, manager or his relative is a partner;
 - e) a private company in which a director or manager is a member or director;
 - f) a public company in which a director or manager is a director or holds with his relatives, more than two per cent of its paid-up share capital;



- g) 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
- h) Any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (g) and (h) shall apply to the advice, directions or instructions given in a professional capacity.

i) Any company which is—

- a holding, subsidiary or an associate company of such company; or
- a subsidiary of a holding company to which it is also a subsidiary
- 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.

j) Such other person, as may be prescribed by MCA/SEBI/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.

k) any person or entity forming a part of the promoter or promoter group of the Bank, or any person or any entity, holding equity shares:

(i) of ten per cent or more,

with effect from April 1, 2023; in the Bank either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.

h) related party transaction” means a transaction involving a transfer of resources, services or obligations between:

- (i) the Bank or any of its subsidiaries on one hand and a related party of the Bank or any of its subsidiaries on the other hand; or
- (ii) a listed entity or any of its subsidiaries 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 or any of its subsidiaries, 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;
- (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:

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognized stock exchange(s).

i) “Relative” means A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:

1. Members of HUF
2. Spouse
3. Father (includes step-father).
4. Mother (includes the step-mother).
5. Son (includes the step-son).
6. Son’s wife
7. Daughter
8. Daughter’s husband
9. Brother (includes the step-brother).
10. Sister (includes the step-sister).

And includes a person defined under section 2(77) of the Companies Act read with Rule 4 of Companies (specification of definitions details) Rules, 2014).

j) “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 Bank may not have done it in the past.

k) “Subsidiary company” or “subsidiary”, in relation to any other company (that is to say the holding company), means a company in which the holding company:

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies.

Provided that such class or classes of holding companies as may be prescribed shall not

have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation - For the purposes of this clause:

(a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company

(b) the composition of a company’s Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;

(c) the expression “company” includes any body corporate;

(d) “layer” in relation to a holding company means its subsidiary or subsidiaries;

l) “Significant influence” means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an agreement.

m) “Turnover” has been defined as the aggregate value of the realisation of amount made from sale, supply or distribution of goods or on account of services rendered, or both, by the company during a financial year. Accordingly, for the Bank, the ‘turnover’ is considered as the ‘Total Income’, i.e., total of interest income and other income.



5. APPROVAL OF RELATED PARTY TRANSACTIONS:

Every Related Party Transaction entered into with effect from 1st October 2014 and subsequent material modifications shall be subject to approval of the Audit Committee. The approval of the Audit Committee can be granted by way of a circular resolution. W.e.f. 1.1.2022 only those members of the audit committee, who are independent directors, shall approve related party transactions except for 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.

Provided further that:

- (a) the audit committee of the Bank shall define “material modifications” and disclose it as part of this policy;
- (b) with effect from April 1, 2023, a related party transaction to which the subsidiary of the Bank is a party but the Bank is not a party, shall require prior approval of the audit committee of the Bank if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;
- (c) prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of bank as referred to in (d) above, the prior approval of the audit committee of the listed subsidiary shall suffice.]

The Board shall approve such Related Party Transactions and subsequent material modifications as are required to be approved under Companies Act, 2013 and/or SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and/or transactions referred to it by the Audit Committee.

In case any related party transactions and subsequent material modifications are referred by the Bank to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm’s length price, 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.



Where any director is interested in any Related Party Transaction and subsequent material modifications, such director will abstain from discussion and voting on the subject matter of the resolution relating to such Transaction. Further, all Material Related Party Transactions shall require approval of shareholders of the Company through special resolution (unless it is exempted pursuant to the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015) and the Related Parties shall abstain from voting on such resolution(s).

If a related party transaction and subsequent material modifications is a material transaction as per Regulation 23, it shall require shareholder's prior approval through resolution and no related parties 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 of the Bank shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: 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 further that the requirements specified under this sub-regulation 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;

If a related party transactions and subsequent material modifications 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, 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 being proposed, shall not vote on such resolution passed for approving related party transaction.

However the shareholders' approval is not required for the transactions entered into between the Bank and its wholly-owned subsidiaries whose accounts are consolidated with the Bank and placed before the shareholders at the general meeting.

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 shall also require the approval of shareholders of the Company through special resolution and the Related Parties shall abstain from voting on such resolution(s).



The approval mechanism for Related Party Transactions shall be as stipulated in the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and/or Companies Act, 2013 and as amended from time to time.

6. AMENDMENTS:

The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy.

7. DISCLOSURE:

a) Details of contract(s) or arrangement(s) have to be disclosed in the Board's Report along with the justification. The same shall be placed before Audit Committee for its review and then to the Board as part of Directors' report for approval.

b) 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 Investor Service Department and thereafter the same shall be placed before the next meeting of the Board.

c) Necessary disclosures be made in the Annual Financial Statements as required under AS 18 and RBI guidelines. Further, as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, necessary details of all materially significant related party transactions', which may have potential conflict with the interests of the Bank at large, be also given in 'Report on Corporate Governance' section in Annual Report.

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

e) The Bank shall disclose the policy on dealing with Related Party Transactions on its website and also in the annual Report by way of a web link as required by applicable laws, rules and regulations.

f) All Related Party Transactions that are required to be disclosed in the Bank's filings with the Stock Exchange, as required by SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and related rules and regulations, shall be so disclosed in accordance with such laws, rules and regulations.

8. RECORDS RELATING TO RELATED PARTY / SUPPORTING DOCUMENTS

All disclosures, supporting documents 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 Investor Services Department or any other person authorized by the Board for the purpose.



9. INTERPRETATION:

a) 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, SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, Accounting Standards or any other relevant legislation / law applicable to the Company.

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