



## **POLICY ON RELATED PARTY TRANSACTIONS**

## **A. OVERVIEW**

### **1. OBJECTIVE**

This Policy on Related Party Transactions ("**Policy**") of Axis Bank Limited (the "**Bank**") is framed as per the requirements of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI Listing Regulations**") as amended from time to time and is intended to ensure that the dealings in Related Party Transactions meet proper approval and reporting norms as required under the applicable laws.

### **2. DEFINITIONS**

**"Annual Consolidated Turnover"** means Total Income (i.e. Interest earned + Other Income) as per the last audited Consolidated Financial Statements of the Bank.

**"Annual Standalone Turnover of Subsidiary"** means Total Income (i.e. Revenue from Operations + Other Income) as per the last audited Standalone Financial Statements of the Subsidiary.

**"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.

**"Audit Committee or Committee"** means Committee of the Board of Directors of the Bank constituted under the provisions of the Companies Act, 2013, SEBI Listing Regulations, RBI Guidelines and any other applicable laws.

**"Board"** means Board of Directors of the Bank.

**"Key Managerial Personnel"** shall have the same meaning as defined under Section 2(51) of the Companies Act, 2013 and includes –

- 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;
- v.such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board;  
and
- vi.such other officer as may be prescribed under the Companies Act, 2013.

**"Related Party"** means related party as defined under Section 2(76) of the Companies Act, 2013, Accounting Standard (AS) 18 issued by the Institute of Chartered Accountants of India and Regulation 2 (1)(zb) of SEBI Listing Regulations.

**“Related Party Transaction”** as defined under 2 (1)(zc) of SEBI Listing Regulations, means a transaction involving a transfer of resources, services or obligations between:

- a. 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, regardless of whether a price is charged.
- b. the Bank 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, regardless of whether a price is charged.

The following shall not qualify as related party transactions:

- 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 which are uniformly applicable/offered to all shareholders in proportion of 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 the Bank at the terms uniformly offered to all shareholders/public/related parties, subject to disclosure as part of related party transactions on a half-year basis to the stock exchanges.

**“Material Related Party Transaction”** shall have the same meaning as defined under Regulation 23 (1) of the SEBI Listing Regulations, which is as under:

A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds the lower of following:

- Rupees One Thousand crore or
- Ten percent of the Annual Consolidated Turnover of the Bank as per the last audited financial statements of the Bank.

Exception: 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.

**“Material Modification”** means any variation in the terms and conditions of any ongoing Related Party Transaction as originally approved by the Audit Committee and/or Shareholders, having a significant impact on the nature, value, tenure, exposure or likely financial impact of such a transaction. Exercise of any right as per terms of original contract shall not be considered as modification. Further, transactions where same pricing is offered uniformly to all customers/counter parties (related/unrelated) shall not be considered as material modification.

The test for Material Modification will apply only to “Eligible Contract”.

An Eligible Contract in the context of the Bank is a contract that relates to a Balance sheet or Profit & Loss account variable and the value of the said contract taken individually is in excess of Rs. 100 crores.

Material Modification shall mean any modification by mutual consent or otherwise to the pricing and tenure of an Eligible Contract which results in a financial implication of more than 20% such Eligible Contract value.

Definition of Material Modification and Eligible Contract will be reviewed annually at the time of policy approval.

“**Ordinary course of business**” will include the transactions undertaken by the Bank in the normal course of banking business as permitted by law / regulations or as part of common/customary business practices or by its long standing conduct.

“**Relative**” means relative as defined under Section 2(77) of the Companies Act, 2013 and includes the following -

- i. Members of a Hindu Undivided Family;
- 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)

### **3. EFFECTIVE DATE**

This policy is effective from April 1, 2023.

## **B. POLICY**

Review and approval of Related Party Transactions must be dealt with in accordance with this Policy.

### **1. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS**

Each Director and Key Managerial Personnel of the Bank is responsible for providing declaration to the Company Secretary on their respective Related Parties involving him / her and his / her Relative, including any additional information that the Company Secretary may reasonably request. Further, the Director / Key Managerial Personnel shall intimate the Company Secretary in case of any changes to their Related Parties, as mentioned in the previous declaration.

The Company Secretary shall maintain a database of Related Parties containing the names of individuals and companies identified based on the definition of Related Party and declaration provided by the Directors and Key Managerial Personnel.

The list of Related Parties shall be updated whenever necessary and reviewed on a timely basis and would be communicated to the functional departments.

The functional departments shall submit to the head of Finance & 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, the Company Secretary will facilitate for the necessary approval.

## 2. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

Approval policy framework is given below:

Approving authority	Type of Transactions
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>• All Related Party Transactions and subsequent Material Modifications shall require prior approval of the Audit Committee of the Bank</li> <li>• 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</li> </ul>
<b>Board</b>	<ul style="list-style-type: none"> <li>• Related Party Transactions referred by the Audit Committee for approval</li> <li>• Related Party Transactions not in ordinary course of business and not on arm's length basis</li> <li>• Related Party Transactions required to be approved by the Board under any applicable law</li> </ul>
<b>Shareholders</b>	<p>Prior approval by ordinary resolution for:</p> <ul style="list-style-type: none"> <li>- Material Related Party Transactions</li> <li>- Subsequent material modifications to the approved related party transactions</li> </ul>

	<ul style="list-style-type: none"> <li>- Related Party Transactions not in ordinary course of business and not on arm's length basis and crosses threshold limit as prescribed under Section 188 of the Companies Act, 2013.</li> </ul>
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Exceptions:

- i. As per Regulation 23 (5) of SEBI Listing Regulations, above approval is not required for transactions between:
  - a. the Bank and its wholly owned subsidiary or
  - b. two wholly owned subsidiaries of the Bank

whose accounts are consolidated with the Bank and placed before the shareholders for approval at the general meeting.

- ii. Related Party Transactions to which the listed Subsidiary is a party but the Bank is not a party, if Regulation 23 and sub-regulation (2) of Regulation 15 of these Regulations are applicable to such listed subsidiary.

Related Party Transactions will be referred to the Audit Committee for review and prior approval. Only those members of the Audit Committee, who are independent directors, shall approve related party transactions. Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction. In determining whether to approve, ratify, disapprove or reject a Related Party Transaction, the Audit Committee shall take into account all the factors it deems appropriate.

Related Party Transactions which are not in ordinary course of business and not on arm's length basis, shall require approval of the Board of Directors of the Bank or of Shareholders, in addition to the approval of the Audit Committee.

The following Related Party Transactions shall require prior approval of the Shareholders of the Bank, in addition to the approval of the Audit Committee and the Board of Directors of the Bank:

- a) Related Party Transactions which are not in ordinary course of business and not on arm's length basis and which crosses threshold limit as prescribed under the Companies Act, 2013.
- b) Material Related Party Transactions
- c) Subsequent material modifications to the approved Related Party Transactions

No Related Party shall vote to approve such resolutions at the general meeting, whether the entity is a Related Party to the particular transaction or not.

### **3. GENERAL CRITERIA FOR APPROVAL OF RELATED PARTY TRANSACTIONS**

To review a Related Party Transaction, the Audit Committee, Board and Shareholders to 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.

The information provided to the Committee may include the following:

- i. the name of the related party and relationship with the Bank or its subsidiary including nature of concern or interest (financial or otherwise);
- ii. Type, material terms and particulars of the proposed transaction
- iii. Value and tenure of proposed transaction;
- iv. % of Bank's annual consolidated Turnover of Previous financial year or of subsidiary's annual turnover;
- v. Details for Loan/Inter-Corporate Deposits/Investments transactions i.e. tenure, nature of indebtedness, covenants, purpose, tenure, interest, repayment schedule, secured/unsecured, security details etc;
- vi. Justification as to why the Related Party Transaction is in the interest of the Bank;
- vii. Valuation/external party report if any; and
- viii. Any other information relevant or important for the Committee to take a decision on the proposed transaction.

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

In respect of the Related Party Transactions, the Audit Committee and the Board of Directors shall, after considering the documents, materials and information placed before them for approval, judge if a transaction is in the ordinary course of business or at arm's length basis.

### **5. OMNIBUS APPROVAL BY AUDIT COMMITTEE FOR RELATED PARTY TRANSACTIONS PROPOSED TO BE ENTERED**

All Related Party Transactions shall require prior approval of the Audit Committee, unless specifically exempted under applicable laws.

However, the Audit Committee may grant omnibus approval in accordance with the provisions of Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 23 (3) of the SEBI Listing Regulations for Related Party Transactions which are in the ordinary course of business, arm's length basis and repetitive in nature.

Further, where the need for Related Party Transaction cannot be foreseen, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction.

The Audit Committee would review on a quarterly basis the aforesaid Related Party Transactions entered into by the Bank pursuant to each of the omnibus approval given.

The omnibus approval shall be valid for a period of one year and fresh approval would be obtained from the Audit Committee after the expiry of one year.

Exceptions:

As per Regulation 23 (5) of SEBI Listing Regulations, above approval is not required for transactions between the Bank and its wholly owned subsidiary or two wholly owned subsidiaries of the Bank, whose accounts are consolidated with Bank and placed before the shareholders for approval at the general meeting.

**6. RELATED PARTY TRANSACTIONS NOT APPROVED 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 execution, the Bank would obtain prior approval from the Audit Committee.

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. Such transaction shall be placed before the Audit Committee, promptly for its consideration and ratification.

The Audit Committee shall consider all the relevant facts and circumstances regarding the Related Party Transaction, and consider the same for either ratification, revision or termination. In case, if the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without its approval, the Audit Committee, may direct additional conditions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any Related Party Transaction, the Audit Committee shall have the authority to modify or waive any procedural requirements of this Policy, in compliance with the applicable regulations.

**C. REPORTING OF RELATED PARTY TRANSACTIONS**

Every contract or arrangement, approved by the Board/Shareholders under this Policy, shall be referred to in the Board's Report and to the Shareholders along with the justification for entering into such contract or arrangement.

The details of material related party transactions will be included in the Corporate Governance Reports which are required to be submitted to the Stock Exchanges on a quarterly basis.

The details of materially significant related party transactions that may have potential conflict with the interests of Bank and the Related Party Transactions Policy, to be included in the Corporate Governance Report which forms part of the Annual Report.

The details of related party transactions in the format prescribed by SEBI would be submitted to the stock exchanges and published on the Bank's website on a half-yearly basis, along with the Bank's financial results.



**D. REVIEW OF POLICY**

The Policy shall be reviewed at least once a year or pursuant to any regulatory amendment or for any reason as deemed appropriate by the Audit Committee and the Board of the Bank.

**E. DISCLOSURE**

This Policy will be communicated to all employees and other concerned persons of the Bank and shall be placed on the website of the Bank at [www.axisbank.com](http://www.axisbank.com).