

## **Policy on Dealing with Related Party Transactions**

Forum at which discussed	: Board of Directors
Frequency	: Annually
Purpose	: This note relates to the Policy on Dealing with Related Party Transactions
Significant changes since the last review and material disclosures	: Incorporation of the amendments to Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), which shall be effective from April 1, 2022.

### **Version:**

Version control commencement: July 23, 2022

V1: Approved by the Board on July 23, 2022

## **POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS**

### **1. Preamble**

The Board of Directors (“Board”) of Kotak Mahindra Bank Limited (“Bank”) have adopted the following policy and procedures with regard to Dealing with Related Party Transactions, as defined below (“Policy” / “Related Party Transaction Policy”). The Audit Committee will review and may recommend amendments to this Policy from time to time and as may be deemed necessary, for the approval of the Board.

This Policy will be applicable to the Bank, so as to regulate transactions between the Bank and / or its subsidiaries and the Related Parties, as required under the provisions of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”), Sections 177 and 188 of the Companies Act, 2013 (“Act”) and other laws, rules, regulations, circulars and guidelines, as may be applicable from time to time.

### **2. Purpose**

This Policy is framed as per the provisions of the SEBI Listing Regulations and is intended to ensure proper approval and reporting of Related Party Transactions. Such transactions would be appropriate only if they are in the best interest of the Bank and its members.

### **3. Definitions**

“Audit Committee” or “Committee” means a committee consisting members of the Board of Directors of the Bank, constituted as per the provisions of Regulation 18 of the SEBI Listing Regulations, Section 177 of the Act and the rules / regulations / circulars / guidelines issued from time to time by the Reserve Bank of India (“RBI”).

“Arm’s length transaction” means a transaction between two related parties that is conducted as if the parties were unrelated, so that there is no conflict of interest.

“Board” means a body of elected directors of the Bank, as per the provisions of the applicable law.

“Control” shall have the same meaning as defined in the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and which is presently, as follows – “Control” includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

“Key Managerial Personnel” (“KMP”) means key managerial personnel as defined under the Act 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 Act.

“Material Related Party Transaction” 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 Rs. 1,000 crore or 10 per cent of the annual consolidated turnover of the Bank as per the last audited financial statements of the Bank, whichever is lower. However, transactions involving payments made for brand usage or royalty shall be considered material if the transaction /transactions to be entered into individually or taken together with previous transactions during a financial year exceeds 5 per cent of the annual consolidated turnover of the Bank as per the last audited financial statements of the Bank.

“Material Modification” means -

- In the case of related party transactions where Omnibus Approval of the Audit Committee has been obtained considering the repetitive nature of these transactions, any modification which has the effect of variation in the originally approved value of the transaction by 20% or more, or in the pricing criteria, or such other parameter as may be determined by the Audit Committee from time to time. The variation limit of 20% or more in value will not apply in the case of deposits placed by a related party with the Bank.
- In the case of other related party transactions, any modification which has the effect of variation in the originally approved value of the transaction by 5% or more, or in the pricing, or such other parameter as may be determined by the Audit Committee from time to time.

Provided that, a modification mandated pursuant to change in law, or pursuant to and in accordance with the terms of the approved transaction/contract, or is uniformly effected for similar transactions with unrelated parties shall not be regarded as Material Modification.

“Ordinary course of business” for the purpose of this policy, will include the transactions undertaken by the Bank:

- in the normal course of banking business as permitted by law / regulations / rules / guidelines / circulars etc.;
- as part of customary business practices or by its long standing conduct.

“Policy” means this Related Party Transaction Policy.

“Related Party” is defined under Section 2(76) of the Act and clause (zb) of Regulation 2(1) of SEBI Listing Regulations as:

- i. a director or his relative;
- ii. a Key Managerial Personnel 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 2% of its paid-up share capital;
- vi. any body corporate whose Board of Directors (BOD), managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager (except where such advice, directions or instructions are provided in a professional capacity);
- vii. any person under whose advice, directions or instructions a director or manager is accustomed to act (except where such advice, directions or instructions are provided in a professional capacity);

- viii. any body corporate which is -
- a holding, subsidiary, joint venture or an associate of such company; or
  - a subsidiary of a holding company to which it is also a subsidiary; or
  - an investing company or the venturer of the company;
- Explanation — For the purpose of this clause, “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 KMP of the holding company or his relative;
- x. a related party as per accounting standard 18 or any other accounting standard as may be applicable;
- xi. any person or entity forming a part of the promoter or promoter group of the Bank;
- xii. any person or entity, holding equity shares of twenty per cent or more 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.

“Related Party Transaction” means a transaction involving a transfer of resources, services or obligations between the Bank and a Related Party of the Bank, 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.

For the purposes of compliance under the SEBI Listing Regulations, 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) 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, 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 for the purposes of compliance under the SEBI Listing Regulations:

- a) the issue of specified securities (as defined under the SEBI Listing Regulations) 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 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 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 SEBI;
- d) such other transactions as may be specified by SEBI or any other statutory / regulatory body from time to time.

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

“Relative” with reference to any person, means anyone who is related to another, if—

- i. they are members of a Hindu Undivided Family;

- ii. they are husband and wife; or
- iii. one person is related to the other in the following manner / related as:
  - Father (including step-father)
  - Mother (including step-mother)
  - Son (including step-son)
  - Son's wife
  - Daughter
  - Daughter's husband
  - Brother (including step-brother)
  - Sister (including step-sister)

#### **4. Policy:**

All Related Party Transactions and subsequent Material Modifications thereto must be reported to the Audit Committee and require prior approval by the Committee (except transactions specifically exempt under the provisions of the Act and the SEBI Listing Regulations) in accordance with this Policy.

##### **4.1 Identification of Potential Related Party Transactions**

The Bank shall maintain a list of related parties after considering the requirements of applicable law and based on (i) the Kotak Group's structure (i.e., holding, subsidiary, associate companies etc.) and (ii) the disclosures and declarations received from time to time from Directors and KMPs, across the Bank and its subsidiaries.

##### **4.2 Restrictions related to Related Party Transactions**

Section 177 of the Act requires the Audit Committee to approve all transactions with Related Parties. except for transactions between a holding company and its wholly-owned subsidiaries, unless the transactions are those that are referred to in Section 188. Whereas, Regulation 23 of the SEBI Listing Regulations, requires prior approval of the Audit Committee for all transactions with the Related Parties.

Considering that the frequency / repetitiveness of transactions may be too high, the Committee may review the nature of transactions and give its general approval (i.e., omnibus approval) after satisfying itself of the need, by specifying in the approval, the terms like name of the Related Party, nature of transaction, indicative base price/ basis of pricing / current contracted price and the formula for variation in the price if any, maximum amount of transactions that may be entered into, period of the transaction and such other terms as may be necessary, and subject to such modifications as it deems fit. Such general approval shall be valid for a period of one financial year and a fresh approval shall be taken after the expiry of the financial year. If required, the Audit Committee may, subject to the provision of the applicable laws, review its general approval during the financial year, and make such amendments / modifications / revisions to the same as may be deemed necessary or required for the conduct of the Bank's business.

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 Rs. 1 crore per transaction.

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 consolidated turnover, as per the last audited financial statements of the Bank.

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 of the Bank.

Only those members of the Audit Committee, who are Independent Directors, shall approve the Related Party Transactions. Where any Director is interested in any transaction with a Related Party, such Director shall not be present at the meeting (whether of the Audit Committee or of the Board of Directors) during discussions on the subject matter of the resolution relating to such transaction.

As required by the Act, all Related Party Transactions which are not in the ordinary course of business or not on arm's length basis shall be considered, reviewed and decided by the Audit Committee / Board of Directors only at a duly convened meeting.

As per Section 188 of the Act, the consent of the Board by resolution /Members' approval by an ordinary resolution in a general meeting is required, for entering into the specified transactions with a Related Party, if such transactions are not in the ordinary course of business of the Bank or not at arm's length and exceed the threshold limits as specified in the Act. No member of the Bank shall vote to approve such resolution, whether the entity is a Related Party to the particular transaction or not.

However, the requirement for obtaining Members' approval, as above, will not be applicable for transactions entered into between the Bank and its wholly owned subsidiary whose accounts are consolidated with the Bank and placed before the members at the general meeting for approval.

Subject to the Related Party Transactions specifically exempt under the provisions of SEBI Listing Regulations, all Material Related Party Transactions and subsequent Material Modifications thereto shall require prior approval of the members through the ordinary resolution. No Related Party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not. For seeking approval of the members, the explanatory statement shall provide all relevant and necessary information regarding the Material Related Party Transactions / Material Modifications thereto, including information as may be specified or required from time to time.

The prior approval of the members of the Bank shall not be required for a Related Party Transaction to which the listed subsidiary, if any, is a party but the Bank is not a party, if relevant provisions of the SEBI Listing Regulations are applicable to such listed subsidiary.

The Materiality thresholds for the Related Party Transactions shall be reviewed by the Board of Directors once in every three years.

The transactions entered into between: (i) the Bank and its wholly owned subsidiary or (ii) two wholly-owned subsidiaries of the Bank whose accounts are consolidated with the Bank and placed before the members at the general meeting for approval, are exempt from the Audit Committee approvals for all Related Party Transactions and shareholder approvals.

### **4.3 Review and Approval of Related Party Transactions**

All Related Party Transactions will have to be reviewed and approved by the Audit Committee, subject to 4.2 above. Any member of the Committee who is interested in any transaction with a Related Party, such

member shall not be present at the meeting during discussions on the subject matter of the resolution relating to such transaction.

To review a Related Party Transaction, the Committee will be provided with 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, arm's length principles and any other relevant matters / information as may be specified or required from time to time. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- The fairness and arm's length or otherwise of the Related Party Transaction after applying the same basis as if the transaction did not involve a related party;
- The business reasons for the Bank to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- Impact on independence of an independent director of Related Party Transaction;
- Any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- 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 or other related party, the direct or indirect nature of the director's, KMP's or other related party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.
- Any other relevant information regarding the transaction.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for the 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:

- i. Any transaction to which a listed subsidiary of the Bank, if any, is a party but the Bank is not a party, if relevant provisions of the SEBI Listing Regulations are applicable to / complied by such listed subsidiary.
- ii. Any transaction that involves the providing of compensation to a Director or KMP 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. This will be dealt with appropriately by the Nomination and Remuneration Committee.

- iii. 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.

All Related Party Transactions, including the above and those approved through omnibus approval, will be reviewed by the Audit Committee at least on quarterly basis.

## **5. Related Party Transactions not approved under this Policy**

Subject to the provisions of applicable laws:

- (a) where any transaction involving any amount not exceeding one crore rupee is entered into by a director or officer of the Bank without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the Bank against any loss incurred by it;
- (b) where any contract or arrangement: (i) requiring consent of the Board of Directors is entered into by a director or any other employee, without obtaining such consent, or (ii) requiring approval by a resolution in the general meeting is entered into without such approval, then if such transaction is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the Bank against any loss incurred by it.

The above shall be applicable only in respect of transactions covered under Section 177 of the Act, requiring approval of the Audit Committee / transactions covered under Section 188 of the Act, requiring approval of the Board of Directors / Shareholders of the Bank, as the case may be. However, if any transaction with a related party is also covered under and requires prior approval of the Audit Committee / Shareholders under the provisions of the SEBI Listing Regulations, the above given clauses (a) / (b) will not apply and prior approval of the appropriate authority will be necessary.

## **6. Reporting of Related Party Transactions**

The Bank shall disclose each year, in its financial statements, the transactions between the Bank and its Related Parties, as well as policies concerning transactions with Related Parties, in such manner and form as may be prescribed under the applicable laws and the accounting standards.

The Bank shall also submit to the stock exchanges, within such timelines as may be prescribed, disclosures of related party transactions in the format as specified by SEBI from time to time, and publish the same on its website.

## **7. Law to take precedence and applicability**



In the event of any variation or inconsistency between the provisions of the Policy and the applicable Regulations and/or the Act, the provisions of the applicable Regulations and/or the Act, as the case may be, shall prevail over the Policy and the provisions of the Policy shall be deemed to have been amended so as to be read in consonance with the Regulations and / or the Act.

The above policy will be in force with effect from April 1, 2022 and shall apply to the Bank. The Policy will be modified to be in line with regulations including the Act and guidelines issued by SEBI.