



Ref: YES-(CS)-POL-(006)

# **(Policy on dealing with Related Party Transactions V5.0)**

(V5.0)

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## Document Control

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# 1 Introduction / Background / Purpose of Policy

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Policy with regard to Related Party Transactions (“**RPT Policy**”) is prepared pursuant to Section 177, Section 188 and other applicable provisions of the Companies Act, 2013 (“the Act”) and Companies (Meetings of Board and its Powers) Rules, 2014 and the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015 (“Listing Regulations”).

The Audit Committee/Board will review and may amend this policy from time to time.

## 2 Scope

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The objective of this policy is to ensure proper approval, disclosure and reporting of transactions as applicable, between the Bank and any of its related parties, in the best interest of the Bank and its stakeholders.

## 3 Roles and Responsibilities

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Covered in the Policy Details

## 4 Policy Details

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### 1. Introduction

The Board of Directors (the “**Board**”) of YES Bank Limited (the “**Bank or Company**”) have adopted the following policy and procedures with regard to Related Party Transactions (‘Dealing with Related Party Transaction (**RPT**) Policy’), in line with the requirements of Section 177, Section 188 and other applicable provisions of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 (hereinafter referred to as ‘The **Act**’) and The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as ‘SEBI Listing Regulations’).

The Audit Committee/ Board will review and may amend this policy from time to time.

### 2. Purpose

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The objective of this policy is to ensure proper approval, disclosure and reporting of transactions as applicable, between the Bank and any of its related parties, in the best interest of the Bank and its stakeholders.

### 3. Definitions

a) **Audit Committee** has not been defined in Companies Act, 2013. However, the Act states that the Board of directors of every listed company and the following class of companies shall constitute an Audit Committee –

- i. all public companies with a paid up capital of ten crore rupees or more;
- ii. all public companies having turnover of one hundred crore rupees or more;
- iii. all public companies, having in aggregate, outstanding loans or borrowings or debentures or deposits exceeding fifty crore rupees or more.

The paid up share capital or turnover or outstanding loans, or borrowings or debentures or deposits, as the case may be, as existing on the date of last audited Financial Statements shall be taken into account for the purposes of the above.

b) **Board of Directors** or **Board** in relation to a Company means the collective body of the directors of the Company.

c) **Key Managerial Personnel** in relation to a Company means

- i. The Chief Executive Officer, or the Managing Director or the Manager;
- ii. The Company Secretary;
- iii. The Whole-time director;
- iv. Chief Financial Officer

d) **Material Related Party Transaction:** A transaction with a related party shall be considered material if the transaction / 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 company as per the last audited financial statements of the company.

Transactions 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 two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

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- e) **Related Party** with reference to a Company, means-
- 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 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;
  - viii. Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
  - ix. *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;*
- 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.*
- x. Director, other than independent director, or key managerial personnel of the holding company or his relative with reference to a company;
  - xi. An entity that is a related party under the applicable accounting standards
  - xii. Any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.
  - xiii. The units issued by mutual funds which are listed on a recognized stock exchange will not be considered as related party.
- f) **Related Party Transaction** is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.
- g) **Relatives** 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:

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- (a) Father (including step-father)
- (b) Mother (including step-mother)
- (c) Son (including step-son)
- (d) Son's wife
- (e) Daughter
- (f) Daughter's husband
- (g) Brother (including step-brother)
- (h) Sister (including step-sister)

A "**transaction**" with a related party shall be construed to include single transaction or a group of transactions in a contract."

#### **4. Policy on Related Party transactions**

All Related Party Transactions must be reported to the Audit Committee for its approval in accordance with this Policy.

#### **5. Identification of Potential Related Party Transactions**

Each director and Key Managerial Personnel is responsible for providing Notice to the Board or Audit Committee of any potential Related Party Transaction involving him/her or his/her relative, including any additional information about the transaction that the Board or Audit Committee may request. The Board shall record the disclosure of Interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Bank strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

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

##### **I. Prior approval of Audit Committee**

All Related Party Transactions shall require prior approval of Audit Committee, whether at a meeting or by Resolution by circulation.

Any member of the Audit Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

## **II. Procedure for approval**

The Audit Committee will be provided with all relevant material information of Related Party Transactions, 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 as specified under the Act and SEBI Listing Regulations.

The Audit Committee may accordingly approve or modify such transactions, in accordance with this Policy and/or recommend the same to the Board for approval.

The Independent Directors shall pay sufficient attention and ensure that adequate deliberations are held before approving Related Party Transactions which are not in Ordinary Course of Business and not on arm’s length and Material Specific Transactions and assure themselves that the same are in the interest of the Bank and its shareholders.

In the case of Transactions which are frequent and regular in nature and are in the normal course of business of the Bank, the Audit Committee may fix up Limits within which the management may carry out such Transactions without any approval of the Audit Committee for the specific transactions as long as these are carried out on the principles approved by the Audit Committee. Further, it shall periodically review and assess such limits and revise the same as deemed proper and ensure that they are in compliance of this Policy and the guidelines herein.

## **III. Omnibus Approval**

The Audit Committee 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, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely:-
  - (i) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
  - (ii) the maximum value per transaction which can be allowed;
  - (iii) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
  - (iv) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;



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- (v) transactions which cannot be subject to the omnibus approval by the Audit Committee.
- b) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature. Further, the Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -
  - (i) repetitiveness of the transactions (in past or in future);
  - (ii) justification for the need of omnibus approval.
- c) The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Bank;
- d) Such omnibus approval shall specify
  - the name/s of the related party;
  - nature and duration of the transaction;
  - maximum amount of transaction that can be entered into;
  - the indicative base price / current contracted price and the formula for variation in the price if any; and
  - such other conditions as the Audit Committee may deem fit or information relevant or important for the Audit Committee to take decision on the proposed transaction;

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.

- e) Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.
- f) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.

## **7. Prior approval of Board of Directors**

Transactions with the related parties which are either not in the Ordinary Course of Business or are not at Arms' Length shall require prior approval of the Board.

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Where any director is interested in any contract or arrangement with a related party, such director shall not participate in the discussions and abstain from voting on the subject matter of the resolution relating to such contract or arrangement.

The Board is required to approve the criteria for the omnibus approval as prescribed under point 6(III)(a) of this Policy.

## **8. Shareholders’ approval**

Shareholder’s approval shall be sought in the following cases:

- All the Material Related Party Transactions shall require approval of the shareholders through ordinary resolution and no related party shall vote to approve on such resolutions whether the entity is a related party to the particular transaction or not.
- Transactions, other than the Material Related Party Transaction, with the related parties which are either not in the ‘Ordinary Course of Business’ or are not on an ‘arm’s Length Basis’ and exceeds the threshold prescribed under section 188 of the Companies Act 2013 and the rules thereunder, amended from time to time, shall also require the prior approval of the shareholders through ordinary resolution and no related party shall vote to approve on such resolutions whether the entity is a related party to the particular transaction or not.

No member of the Bank shall vote on ordinary resolution, to approve any contract or arrangement which may be entered by the Bank, if such member is a related party to the contract or arrangement for which the ordinary resolution is being passed. However, in case of material related party transactions, all entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

Provided that the transactions entered into between the Bank and its wholly-owned subsidiary (ies) whose accounts are consolidated with the Bank and placed before the shareholders at the general meeting for approval, shall not require the approval of either Board or the Shareholders.

## **9. Related party transactions not approved under this policy**

In the event the Bank becomes aware of a Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the

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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 failure of the internal control systems, and shall take any such action it deems appropriate.

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, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. 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.

#### 10. Ceiling of Related Party Transactions

Pursuant to Regulation 23 of Listing Regulations, all Related Party Transactions will be subject to following approval mechanism, as may be applicable:

Provisions	Ceiling on the Amount	Approval Required		
		Audit Committee	Board of Directors	Shareholders (Ordinary Resolution)
Transactions in the ordinary course of business and on arm’s length basis	upto <b>10% of the</b> annual Consolidated turnover of the Bank	YES	-	-
	In excess of above limits	YES	YES	YES <i>(No related parties can vote to approve the contract or arrangement)</i>
<b>Transactions either not in the ordinary course of business or arm’s length basis</b>				
Sale, purchase or supply of any goods or materials,		YES	YES	YES* <i>(Amounting to 10% or more of</i>

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Provisions	Ceiling on the Amount	Approval Required		
		Audit Committee	Board of Directors	Shareholders (Ordinary Resolution)
directly or through appointment of agent.				<i>the turnover or Rs. 100 crore, whichever is lower)</i>
Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent.		YES	YES	YES* <i>(Amounting to 10% or more of the networth or Rs. 100 crore, whichever is lower)</i>
Leasing of property of any kind		YES	YES	YES* <i>(Amounting to 10% or more of the networth or exceeding 10% or more of the turnover or Rs. 100 crore, whichever is lower)</i>
Availing or rendering of any services, directly or through appointment of agent		YES	YES	YES* <i>(Amounting to 10% or more of the turnover or Rs. 50 crore, whichever is lower)</i>
Appointment of any related party to any office or place of profit in the Corporation, its subsidiary company or associate company		YES	YES	YES* <i>(Monthly remuneration exceeding two and half lakh rupees)</i>

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Provisions	Ceiling on the Amount	Approval Required		
		Audit Committee	Board of Directors	Shareholders (Ordinary Resolution)
Underwriting the subscription of any securities or derivatives thereof, of the Corporation		YES	YES	YES* <i>(Remuneration exceeding 1% of networth)</i>
1. *Note : In case of shareholders’ approval for such transactions, no related parties shall vote to approve on the resolution				
Any other transaction with related parties, other than those covered above, resulting in transfer of resources, obligation or services		YES	For Transactions that are not on arm’s length basis.	<u>Exceeding 10% of the annual consolidated turnover of the Corporation</u> <i>Note: (No related parties can vote to approve the contract or arrangement)</i>

### 11. Disclosure of related party transactions and Policy

This Policy will be communicated to all operational employees and other concerned persons of the Bank. The Bank shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in its Annual Report.

Further, details of all material transactions with related parties shall be disclosed along with the quarterly compliance report on corporate governance being submitted to the Stock Exchanges on which the equity shares of the Bank are listed. Furthermore, disclosures on materially significant related party transactions that may have potential conflict with the interests of Bank at large shall be made in the Annual Report.

Such further disclosure of the related party transactions shall be made as may be prescribed by the Act or the SEBI Listing Regulations or any other regulatory authority or statute from time to time in such format as may be prescribed.

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The listed entity shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

## **12. Review of the Policy**

In case there are any regulatory changes requiring modifications to the Policy, the Policy shall be reviewed by the Board of Directors at least once every three years and amended at the next possible opportunity. However, the amended regulatory requirements will supersede the Policy till the time Policy is suitably amended.

## **5 Policy Exception**

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Not applicable

## **6 Reporting of Policy Violation / Reporting of Compliance**

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Not applicable

## **7 Change History**

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Already covered under the head “Document Control”