



# **Policy on Related Party Transactions**

## **OBJECTIVE**

The Board of Directors (“Board”) of HDFC Bank Limited (“Bank”), acting upon the recommendation of its Audit Committee has adopted the following policy (“Policy”) and procedures with regard to Related Party Transactions (defined hereinafter). This Policy is framed as per requirement of the applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “SEBI Listing Regulations”) and the Companies Act, 2013, as amended from time to time.

The objective of this Policy is to ensure that the Related Party Transactions (defined hereinafter) are based on principles of transparency and arm’s length pricing. Likewise, this Policy aims at preventing and providing guidance in situations of potential conflict of interests in the implementation of Related Party Transactions, including where the Bank is not a party. This Policy outlines the basis on which the materiality of related party transactions will be determined and the manner of dealing with the related party transactions by the Bank.

### **1. DEFINITIONS**

- a. “Act” means Companies Act, 2013.
- b. “Annual Consolidated Turnover of the Bank” means Total Income as per the last audited Consolidated Financial Statements and is comprised of Interest Earned and Other Income.
- c. “Annual Standalone Turnover of subsidiary” means Total Income as per the last audited Standalone Financial Statements and is comprised of Revenue from operations and Other Income.
- d. “Audit Committee” means the Committee of the Board of Directors of the Bank constituted under provisions of the Companies Act, 2013, SEBI Listing Regulations and any other applicable laws, regulation, and rules.
- e. “Arm’s Length” means a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- f. “Material Modification” means any modification, either individually or taken together with any previous modification, made in the nature, value/exposure, or other terms and conditions of any ongoing or proposed Related Party Transaction, as originally approved by the Audit Committee and/or shareholders, which has the effect of variation in the contracted value of the transaction, by 25% or more or Rs. 250 crores, whichever is higher, or by which the transaction ceases to be in ordinary course and/or on arm’s length 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 resulting from change in constitution of either of the parties pursuant to schemes of arrangement (e.g. merger, amalgamation, demerger, etc.), or is of a nature which is purely technical and does not result in substantive change or alteration of rights, interests, and obligations of any of the parties, or is uniformly affected for similar transactions with unrelated parties shall not be regarded as material modification.

- g. “Material Related Party Transaction under the Act” means transactions as provided in Section 188 of the Act entered into with a related party as defined under Section 2 (76) of the Act that is not in the ordinary course of business or not on an arm’s length basis and exceeds the threshold as specified in Rule 15 of Companies (Meetings of the Board and its Powers) Rules, 2015.
- h. “Material Related Party Transaction under SEBI Listing Regulations” means a transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten percent of the Annual Consolidated Turnover of the Bank, whichever is lower.

Provided that, 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.

- i. “Related Party” means a person or entity that is related to the company as defined under Regulation 2(1)(zb) of the SEBI Listing Regulations, as may be amended from time to time.

- j. **“Related Party Transaction”** means a transaction involving transfer of resources, services or obligations as per Regulation 2(1)(zc) of the SEBI Listing Regulations, as may be amended from time to time, excluding transactions specified under Para 4 of this Policy.

## 2. **POLICY**

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

## 3. **IDENTIFICATION OF RELATED PARTY AND RELATED PARTY TRANSACTIONS**

Each Related Party will be brought to the attention of the Management of the Bank and the Board/Audit Committee by the Bank’s Group Oversight and Secretarial Department at least on a quarterly basis.

The Group Oversight and Secretarial Department of the Bank will inform any change in the list of Related Parties including Related Parties of the subsidiaries to Functional teams of the Bank and its subsidiaries to identify the Related Party Transactions at least on a quarterly basis.

## 4. **EXCLUSIONS FROM RELATED PARTY TRANSACTIONS AS PER SEBI LISTING REGULATIONS**

The following transactions shall not be considered as Related Party Transactions for the purpose of this Policy:

- 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 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 (including payment of interest thereon) at the terms uniformly applicable/offered to all shareholders/public, subject to necessary disclosures in the format as specified by SEBI;
- d. acceptance of current account deposits and saving account deposits (including payment of interest thereon) in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time;
- e. retail purchases from the Bank or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors:

For the purpose as above, “retail purchases” would mean purchase/availing of products and services offered by the Bank in the ordinary course of its banking business, or, in case of any related party transaction by any subsidiary, by such subsidiary in ordinary course of its business, through retail channels i.e., branches or business outlets through which the Bank/subsidiary services its retail customers, on terms which are uniformly offered to all employees as per applicable policies of the Bank/subsidiary, subject to applicable laws.

An illustrative list of products and services offered by the Bank in the ordinary course of its banking business, at the terms which are uniformly offered to all directors and employees may include:

- (a) Personal Loans/ Consumer Credit as defined in RBI Circular dated January 4, 2018
- (b) Banking service charges
- (c) Depository participant services
- (d) Custodian services
- (e) Services offered as an Authorised Dealer Bank

## **5. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS**

No transaction would be entered into with any Related Party of the Bank or of the subsidiary of the Bank, which is not in compliance with applicable laws. Any Related Party Transaction would go through the approval process as laid down hereunder.

### **A. Audit Committee**

- a. Prior approval of the Audit Committee of the Bank to be obtained for all Related Party Transactions and subsequent Material Modifications undertaken by the Bank, except for transactions between the Bank and its wholly owned subsidiary company or between two wholly owned subsidiaries to the extent permitted under applicable laws.
- b. Prior approval of the Audit Committee of the Bank to be obtained for all Related Party Transactions, and subsequent Material Modification thereof, undertaken by the subsidiary and to which the Bank is not a party, if the value of the transaction, whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the Annual Standalone Turnover of the subsidiary.
- c. Prior approval of the Audit Committee of the Bank under (b) above will not be required for Related Party Transactions undertaken by the subsidiary, to which the Bank is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of the SEBI Listing Regulations are applicable to such listed subsidiary.
- d. Prior approval of the Audit Committee of the Bank shall not be required for Related Party Transactions of unlisted subsidiaries of a listed subsidiary as referred to in (b) above, if prior approval of the audit committee of the listed subsidiary has been obtained.
- e. Remuneration and sitting fees paid by the Bank or its subsidiary(ies) to its director, key managerial personnel or senior management shall not require approval of the Audit Committee, subject to the following conditions:
  - (i) the related party is not a part of the promoter or promoter group of the Bank and/ or its subsidiary(ies),
  - (ii) the transaction is not a Material Related Party Transaction under SEBI Listing Regulations.
- f. Related Party Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between the Bank/ its subsidiary on one hand and the Central Government or any State Government or any combination thereof on the other hand, shall not require approval of the Audit Committee.
- g. Only those members of the Audit Committee, who are independent directors, shall approve Related Party Transactions.
- h. The Audit Committee shall be provided with all relevant material information in accordance with requirements of the SEBI Listing Regulations and the Act, the rules made thereunder as amended from time to time or as requested by the Audit Committee. In determining whether to approve a Related Party Transaction, the Audit Committee shall consider (among other aspects it deems relevant), if there are clearly demonstrable reasons from the Bank's business point of view, in the interest of the Bank, to enter into a transaction with a Related Party.
- i. Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall recuse himself or herself from the meeting and shall abstain from discussion and voting on the approval of the related party transaction.
- j. The Audit Committee shall also review the status of long-term (more than one year) or recurring Related Party Transactions on an annual basis.

### **B. Board of Directors**

- a. Prior approval of the Board of Directors to be obtained for related party transactions which are not in ordinary course of business or not on arm's length in accordance with Section 188 of the Act.
- b. In case of Material Related Party Transactions under SEBI Listing Regulations, the recommendation of the Board of Directors, along with the rationale on each of the specific items, will be required to be provided in the statement to be annexed to the notice as referred to in sub-section (1) of section 102 of the Companies Act, 2013.

### **C. Shareholders**

- a. Prior approval of the shareholders of the Bank shall be obtained for Material Related Party Transactions under SEBI Listing Regulations and subsequent Material Modifications through resolution except for following:
  - i. Related Party Transactions between the Bank and its wholly owned subsidiaries or between the wholly owned subsidiaries of the Bank.
  - 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 SEBI Listing Regulations are applicable to such listed subsidiary.
  - iii. Related Party Transactions of unlisted subsidiaries of a listed subsidiary as referred in (ii) above, where the prior approval of the shareholders of the listed subsidiary has been obtained.
  - iv. Related Party Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between the Bank/ its subsidiary on one hand and the Central Government or any State Government or any combination thereof on the other hand.
- b. Prior approval of the shareholders shall be obtained for Material Related Party Transactions under the Act in accordance with Section 188 of the Act.
- c. The shareholders shall be provided with relevant information as per applicable laws.
- d. All the shareholders of the Bank who are related parties cannot vote to approve the resolution.

### **6. DECISION REGARDING TRANSACTIONS IN ORDINARY COURSE OF BUSINESS AND AT ARM'S LENGTH**

The Audit Committee or the Board shall after considering the information placed before them satisfy themselves that the transaction is in the ordinary course of business and meets the arm's length requirements.

### **7. OMNIBUS APPROVAL BY AUDIT COMMITTEE FOR RELATED PARTY TRANSACTIONS**

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 proposed to be undertaken by the Bank or its subsidiary(ies) that requires approval under Para 5.A. of this Policy, which are of repetitive/regular nature proposed to be entered into. The Audit Committee would review on a quarterly basis the details of such Related Party Transactions entered into pursuant to each of the omnibus approval given. The approval will remain valid for a period of one financial year. 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 rupees one crore per transaction.

### **8. 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 consummation, the Bank would obtain post facto approval from the Audit Committee, the Board and/or shareholders of the Bank as required under applicable laws.

The ratification of Related Party Transactions by the Audit Committee shall be subject to the adherence of the following conditions:

- i. Only those members of the Audit Committee, who are independent directors, can ratify Related Party Transactions.
- ii. The Related Party Transactions are to be ratified in the immediate next Audit Committee meeting, subject to a maximum period of three months from the date of transaction, whichever is earlier.
- iii. The value of ratified transactions with a Related Party, whether entered into individually or taken together with other ratified transactions, shall not exceed rupees one crore during a financial year.
- iv. The transaction shall not be a Material Related Party Transaction under SEBI Listing Regulations.
- v. The rationale for inability to seek prior approval for the Related Party Transaction shall be placed before the Audit Committee while seeking ratification.  
The details of ratification shall be disclosed along with the disclosures of Related Party Transactions to the stock exchanges as per Para 9 of this Policy.

Failure to seek ratification of the Audit Committee, shall render the transaction voidable, at the option of the Audit Committee, and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

The Audit Committee, while considering the transaction for ratification, shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, including the factors due to which the transaction could not be approved, the impact of such transaction on the Bank, and shall evaluate all options available to the Bank, including ratification, revision or termination of the Related Party Transaction. 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, immediate discontinuation or rescission of the transaction. 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.

## **9. DISCLOSURE OF THE POLICY AND RELATED PARTY TRANSACTIONS**

This Policy will be uploaded on the website of the Bank at <http://www.hdfcbank.com> and the web link thereto will be provided in Corporate Governance section in the Annual Report.

The Bank will also submit disclosures of Related Party Transactions, including details of ratification of any such transactions, if any, to stock exchanges as prescribed by SEBI Listing Regulations and publish the same on its website mentioned above.

The remuneration and sitting fees paid by the Bank or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require disclosure to stock exchanges, provided that the same is not a Material Related Party Transaction under SEBI Listing Regulations.

The Bank will also ensure necessary disclosures of the Related Party Transactions in the financial statements and other documents/ filings made by the Bank, as required under the applicable accounting standards, SEBI Listing Regulations, the Companies Act, 2013 and rules thereunder and other applicable lawss.

## **10. POLICY REVIEW**

This Policy is framed based on the provisions of the SEBI Listing Regulations, the Companies Act, 2013 and rules thereunder and other applicable laws. In case of any subsequent changes in the provisions of the SEBI Listing Regulations or the Companies Act, 2013 and rules thereunder or other applicable laws, the relevant amended provisions would prevail over this Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

This Policy shall be reviewed by the Board as and when any changes are to be incorporated in the Policy due to change in applicable laws or at least once in every three years and updated accordingly.

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