



RELATED PARTY TRANSACTION POLICY

2019-20

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RELATED PARTY TRANSACTION POLICY 2019-20

1. Preface

The Board of Directors (the “**Board**”) of Union Bank of India (the “**Bank**”) has adopted this Policy and procedures with regard to Related Party Transactions as defined hereunder. The Audit Committee of the Board is empowered to review and amend this Policy from time to time.

This Policy has been formulated to regulate transactions between the Bank and its Related Parties based on the laws and guidelines applicable to the Bank.

2. Objective

The Policy has been framed to comply with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”). The Policy is intended to ensure proper approval and reporting of transactions between the Bank and its Related Parties. Such transactions shall be appropriate only if, they are in the best interest of the Bank and its shareholders.

3. Applicability:

This revised policy shall come into force and shall be applicable to all transactions made with:

- (a) Board of Directors and their relatives;
- (b) Key Managerial Personnel (“**KMP**”) of the Bank and their relatives; and
- (c) Related Parties as defined hereinafter.

4. Definitions

“**Annual Consolidated Turnover**” is defined as Total Income (i.e. interest earned plus other income) of the Bank as per last audited Annual Consolidated Financial Statements of the Bank.

“**Audit Committee**” or “**Committee**” means the Audit Committee of Board of Directors of the Bank constituted under provisions of Listing Regulations, the Nationalized Banks (Management and Miscellaneous Provisions) Scheme, 1970 and in pursuance of the directives of Reserve Bank of India.

“**Arm’s length transaction**” means a transaction as defined under the Companies Act, 2013 i.e. a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“**Board**” means Board of Directors of the Bank constituted in terms of Section 9 (3) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.

“**Government Company**” means any company in which not less than fifty one percent of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company;

“**Key Managerial Personnel**” or “**KMP**” means

- (i) Chief Executive Officer or the Managing Director appointed under the Nationalised Banks (Management And Miscellaneous Provisions) Scheme, 1970;
- (ii) Executive Director(s) / Whole-time Director(s);
- (iii) Company Secretary;
- (iv) Chief Financial Officer;
- (v) Chief Compliance Officer;
- (vi) Board Secretary and
- (vii) Such other officer/s as may be prescribed;

“**Material Related Party Transaction**” means a transaction with a Related Party if the transaction(s) 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 Bank as per the last audited Annual Consolidated Financial Statements of the Bank.

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

“**Policy**” means Related Party Transaction Policy.

“**Relative**” means and includes anyone who is related to another, if,

- (i) They are members of a Hindu Undivided Family;
- (ii) They are husband and wife;
- (iii) Father (including step-father);
- (iv) Mother (including step-mother);
- (v) Son (including step-son);

- (vi) Son's wife;
- (vii) Daughter (including step-daughter);
- (viii) Daughter's husband;
- (ix) Brother (including step-brother);
- (x) Sister (including step-sister).

“Related Party(ies)” - “Related Party”, with reference to the Bank, means-

- i. any Company which is -
 - (a) a Subsidiary of the Bank; or
 - (b) Associate or Joint Venture of the Bank
- ii. Director or his relative;
- iii. Key Managerial Personnel or his relative;
- iv. Firm, in which a Director of the Bank or his relative is a partner;
- v. Private Company in which a Director of the Bank is a member or director;
- vi. Public Company in which a Director of the Bank is a Director or holds along with his relatives, more than two per cent of its paid-up share capital;
- vii. 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 of the Bank;
- viii. any person under whose advice, directions or instructions a Director or Manager is accustomed to act; Provided that nothing in sub-clauses (vii) and (viii) shall apply to the advice, directions or instructions given in a professional capacity;
- ix. any person or entity belonging to the promoter or promoter group of the Bank and holding 20 % or more of shareholding in the Bank shall be deemed to be a related party.

“Related Party Transaction” or **“RPT”** means any transaction, directly or indirectly, between the Bank and any Related Party, which is a transfer of resources, services or obligations, regardless of whether a price is charged. A transaction with a Related Party shall be construed to include single transaction or a group of transactions in a contract.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Regulations, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation.

5. Policy

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

5.1. Type of Transactions to be covered:

In accordance with the applicable laws, following transactions shall be covered under this Policy:

(A) Pursuant to the Companies Act, 2013:

- (i) Sale, purchase or supply of any goods or materials;
- (ii) Selling or otherwise disposing of, or buying, property of any kind;
- (iii) Leasing of property of any kind;
- (iv) Availing or rendering of any services;
- (v) Appointment of any agent for purchase or sale of goods, materials, services or property etc.
- (vi) Such Related Party's appointment to any office or place of profit in the Bank, its subsidiary company or associate company;
- (vii) Underwriting the subscription of any securities or derivatives thereof, of the Bank.

(B) Pursuant to Listing Regulations:

A transfer of resources, services or obligations between the Bank and a Related Party, 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.

(C) Pursuant to RBI Guidelines on Disclosure in Financial Statements - Notes to Accounts (Accounting Standard 18):

- (i) Borrowings
- (ii) Deposit
- (iii) Placement of deposits
- (iv) Advances
- (v) Investments
- (vi) Non-funded commitments
- (vii) Leasing/HP arrangements availed
- (viii) Leasing/HP arrangements provided
- (ix) Purchase of fixed assets
- (x) Sale of fixed assets
- (xi) Interest paid
- (xii) Interest received
- (xiii) Rendering of services
- (xiv) Receiving of services
- (xv) Management contracts

5.2. Identification of Related Parties

The Directors and KMPs are mandated to promptly communicate to the Board Secretariat list of Related Parties (**Annexure - II**) on their appointment/posting as Director/KMP and any changes thereafter in the initial disclosure of Related Parties submitted by them.

Board Secretariat shall maintain a database of Related Parties containing the names of individuals and the companies identified based on the definition of Related Party and declarations provided by Directors and KMPs, including any revisions therein. The list of Related Parties shall be made available on Bank's intranet viz. UBINET for information of the field functionaries.

Department of Information Technology ("DIT") shall evolve a system for generation of reports of Related Party Transactions.

5.3. Identification of potential Related Party Transactions

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or the Audit Committee regarding any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request.

The notice of any such potential Related Party Transaction should be given to the Board/Audit Committee well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

The Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

All the branches/offices before entering into the transaction with Related Party shall follow the procedure to take prior approval of the Audit Committee as per procedure specified in **Annexure - III**.

5.4. Process for monitoring of Related Party transactions

All Branch Head/Office In-Charge/Regional Heads would be required to proactively ensure that RPTs are entered in accordance with this Policy. Any non-compliance, if observed, must be reported to the Audit Committee by the Board Secretariat.

5.5. Approval for certain Related Party Transactions and Material Related Party Transactions

5.5.1 All proposed Related Party Transactions must be reported to the Audit Committee for obtaining its approval in accordance with this Policy as per

format given in **Annexure - IV**. However, the Audit Committee may grant Omnibus Approval for Related Party Transactions proposed to be entered into between the Bank and the Related Parties.

- 5.5.2 In case of RPTs of repetitive nature, the details of the RPT shall be submitted to the Audit Committee in the form as prescribed in **Annexure-V** to obtain its Omnibus Approval.

The Audit Committee may lay down the criteria for granting the Omnibus Approval and such approval shall be applicable in respect of transactions which are repetitive in nature. The Audit Committee shall satisfy itself the need for such Omnibus Approval and that such approval is in the interest of the Bank.

The Omnibus Approval would specify, to the extent possible:-

- (a) Names of the Related Party;
- (b) Nature of the transaction/ categories of such transactions;
- (c) Period of the transaction/contract/ arrangement;
- (d) Maximum value for which such a transaction can be cumulatively transacted;
- (e) Guidance on commercial consideration; and
- (f) Any other conditions the Audit Committee deems fit.

In case the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant Omnibus Approval for such RPTs subject to their value not exceeding Rs. 1 crore per transaction.

The Omnibus Approval thus received shall be considered as prior approval for the respective/ classified RPT. This shall eliminate the need/ requirement for obtaining prior approval for such repetitive RPT of similar nature. However, such RPTs will continue to be evaluated for propriety of arm's length and ordinary course of business. The Omnibus Approval thus obtained shall remain valid for a period of one year. On expiry of the said term/period, fresh approval should be obtained for the classified RPTs.

On a quarterly basis, Board Secretariat will place the agenda before the Audit Committee for review of all RPTs for which Audit Committee has granted Omnibus Approvals.

- 5.5.3 Further, all Material Related Party Transactions shall require approval of the shareholders of the Bank through Resolution. No related party shall vote to approve such Resolutions whether the Related Party is a party to the particular transaction or not.

5.5.4 All Related Parties falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the related party is a party to the particular transaction or not.

The provisions of point 5.5.1, 5.5.2 & 5.5.3 shall not be applicable in the following cases -

- (a) Transactions entered into between two government companies;
- (b) Transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with the Bank and placed before the shareholders at the general meeting for approval.

5.6. Approval by Circular Resolution of the Audit Committee

In the event the Board Secretariat determines that it is impractical or undesirable to wait until a meeting of the Audit Committee to enter into a Related Party Transaction, such transaction may be approved by the Audit Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force.

5.7. Decision regarding transaction in ordinary course of business or on an arm's length basis

The Audit Committee/the Board shall, in respect of the RPTs referred to them for approval, after considering the information/ documents placed before them; judge if the transaction is in the ordinary course of business or on an arm's length basis. The Audit Committee/ the Board may seek views of professionals/ specialists (on a need basis) for analyzing the appropriateness of the transactions from 'ordinary course of business' or 'arm's length' perspective.

6. Secrecy Provisions

In terms of paragraph 5 of Accounting Standard 18, the disclosure requirements do not apply in circumstances when providing such disclosures would conflict with the reporting enterprise's duties of confidentiality as specifically required in terms of statute, by regulator or similar competent authority. In terms of Paragraph 6 of Accounting Standard 18, in case a statute or the RBI or SEBI prohibits the Banks from disclosing certain information which is required to be disclosed, non-disclosure of such information would not be deemed as non-compliance with the requirements of Accounting Standard 18. It is clear from the above that on account of the judicially recognized common law duty of the banks to maintain the confidentiality of the customer details, they need not make such disclosures. In view of the above, where the disclosures under the Accounting Standards are not aggregated disclosures in respect of any category of Related Party i.e., where there is only one entity in any category of Related Party, Banks need not disclose

any details pertaining to that Related Party other than the relationship with that Related Party.

7. Related Party Transactions without the prior approval under the 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 matter shall be reviewed by the Audit Committee. The Committee shall consider all the 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 shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as deemed appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. The Audit Committee shall also have the authority to modify or waive any procedural requirements of the Related Party Transaction to suit the modus operandi of this Policy.

In case the aforesaid Related Party Transaction requires the approval of shareholders, then once it is ratified by the Audit Committee, it shall be placed for ratification before the shareholders in their general meeting.

8. Policy Review

This Policy is revised based on the provisions of Listing Regulations as on December 31, 2015. In case of any subsequent changes in the provisions of the Listing Regulations or any other applicable laws, the Listing Regulations or the applicable laws would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with applicable law.

In any circumstance where the terms of this Policy differ from any existing or newly enacted law, rule, regulation or standard governing the Bank, the law, rule, regulation or standard will take precedence over this Policy until such time as this Policy is changed to conform to the law, rule, regulation or standard.

This Policy shall be reviewed by the Audit Committee, as and when any changes are to be incorporated in the Policy due to change in law, rule, regulation or standard or as may be deemed appropriate by the Audit Committee.

In connection with any review of a Related Party Transaction, the Audit Committee has the final authority to modify or waive any procedural requirements of this Policy.

This Policy will be communicated to all operational employees and other concerned persons of the Bank.

9. Disclosures

- (i) Pursuant to requirements of Listing Regulations, the Bank is required to disclose to the Stock Exchanges the details of all material transactions with related parties quarterly along with the compliance report on Corporate Governance. The Policy on dealing with Related Party Transactions is also required to be disclosed on Bank's website and a web link thereto should be provided in the Annual Report of the Bank.
- (ii) The Reserve Bank of India ("RBI") vide its Master Circular No. DBR.BP.BC No.23/21.04.018/2015-16 dated July 1, 2015 on Disclosure in Financial Statements - Notes to Accounts, has provided detailed guidance to Banks in the matter of disclosures in the 'Notes to Accounts' to the Financial Statements. The Accounting Standard 18 relating to Related Party Disclosures is applicable for reporting Related Party relationships and transactions between a reporting enterprise and its Related Parties. The illustrative disclosure format recommended by the Institute of Chartered Accountants of India as a part of General Clarification (GC) 2/2002 has been suitably modified by RBI to suit Banks.

However, no disclosure is required in respect of related parties, which are "State controlled Enterprises" as per paragraph 9 of Accounting Standard (AS) 18. Further in terms of paragraph 5 of AS 18, transactions in the nature of Banker - Customer relationship are not required to be disclosed including those with Key Management Personnel and relatives of Key Management Personnel.

References:

1. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
2. The Banking Regulation Act, 1949
3. The Companies Act, 2013

Annexure - I

Definition of Related Party as per Accounting Standard & Companies Act, 2013

Accounting Standard - 18

Para 3: This Standard deals only with related party relationships described in (a) to (e) below:

- (a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);
- (b) associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture;
- (c) individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
- (d) key management personnel and relatives of such personnel; and
- (e) enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

Para 10.1: Related party - parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Companies Act

Section 2(76): “related party”, with reference to a company, means-

- x. a director or his relative;
- xi. a key managerial personnel or his relative;
- xii. a firm, in which a director of the Bank or his relative is a partner;
- xiii. a private company in which a director of the Bank is a member or director;
- xiv. a public company in which a director of the Bank is a director or holds along with his relatives, more than two per cent of its paid-up share capital;
- xv. 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 of the Bank;

- xvi. any person under whose advice, directions or instructions a director or manager is accustomed to act;
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- xvii. any company which is -
 - (a) a subsidiary or an associate company of the Bank; or
 - (b) a subsidiary of a holding company to which the Bank is also a subsidiary;
- xviii. a director or key managerial personnel of the holding company of the Bank or his relative;
- xix. Such other person as may be prescribed.

Annexure - II

List of Related Parties to be submitted by Directors & KMPs

Name of Director/KMP: _____

PAN:

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|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|

| Relation | | Name | PAN |
|---|---|------|-----|
| Members of HUF | : | | |
| Spouse | : | | |
| Father (including step-father) | : | | |
| Mother (including step-mother) | : | | |
| Brother (including step-brother) | : | | |
| Sister (including step-sister) | : | | |
| Son (including step-son) | : | | |
| Son's Wife | : | | |
| Daughter (including step-Daughter) | : | | |
| Daughter's Husband | : | | |
| Firms in which you or your relative is a Partner | : | | |
| Private Company in which you are a Member or Director | : | | |
| Public Company in which you are a Director or holds along with your relatives, more than 2% of its Paid-Up Share Capital | : | | |
| Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to Act in accordance with your advice, directions or instructions | : | | |

Signature

Date:

Place:

Annexure - III

Procedure for seeking approval of Related Party Transactions

All Related Party Transactions require prior approval from Audit Committee and all Material Related Party Transactions require approval of the shareholders of the Bank through Resolution. Audit Committee may grant Omnibus Approval for Related Party Transactions. Board Secretariat will circulate the Omnibus Approval of ACB on Bank's Intranet viz. UBINET as Information Circular.

As and when any transaction is contemplated with any Related Party, the concerned branch/office entertaining the request shall confirm whether the transaction is covered under Omnibus Approval of the Audit Committee of the Board. List of Related Parties is made available on UBINET under 'About Us' tab on Home Page. Related Party Transactions which are covered under Omnibus Approval will not require prior approval of Audit Committee and for such transactions only information is to be submitted to Board Secretariat.

Related Party Transactions which are not covered under Omnibus Approval of the Audit Committee, the concerned branch/office shall contact Board Secretariat, Central Office for seeking approval of the Audit Committee.

Thereafter, the Board Secretariat shall place a note to the Audit Committee of the Board (ACB) for taking its approval for the transaction with Related Party in its next regular meeting or by Circular Resolution as it may deem fit.

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

The Board Secretariat shall convey back the decision of ACB/Board to the concerned branch/office/department.

Format for obtaining prior approval from ACB

| Sr. No. | Name of Related Party | Name of Director/Key Managerial Person | Relation | Nature of Transaction (Deposit/Advance/ Others, please specify) | Details of Transaction (Please give summary of Terms of transactions) | General Terms & Conditions applicable to such transactions (as per extant guidelines of the Bank) | Amount of Transaction | Proposed Date of Transaction | Justification for variation in General Terms & Conditions | ACB Remarks |
|---------|-----------------------|--|----------|---|---|---|-----------------------|------------------------------|---|-------------|
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Annexure - V

Form to be submitted to ACB to obtain its Omnibus Approval

| Name of the Related Party | Nature/Category of Transactions | Period of the Transaction / Contract/ Arrangement [@] | Maximum Cumulative Value of Transaction [#] | Guidance on Commercial Consideration [*] | Any other condition the ACB deems fit |
|---------------------------|---------------------------------|--|--|---|---------------------------------------|
| | | | | | |
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| | | | | | |

@ e.g.: in case of deposit & advances - range of the period of the maturity and repayment for which Union Bank normally accepts Deposits & Advances.

Maximum value for which such a transaction can be cumulatively transacted.

***** The indicative base price/current contracted price and the formula for variation in the price if any