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## **Policy on Related Party Transactions**

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*Of*

**Bandhan AMC Limited**

**(formerly known as IDFC Asset Management Company Limited)**

**Document Version Control**

Date	Author	Reviewed by	Version	Change Reference
May 10, 2023	Netra Vernekar	Piyush Anchliya	1/2023	Initial Setup (erstwhile the company was following the IDFC Group's Policy on Related Party Transaction)
May 9, 2024	Netra Vernekar	Piyush Anchliya	1/2024	No Change (Annual Review)
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## **1. Background and Purpose of the Policy**

Bandhan AMC Limited (the AMC/the Company, formerly IDFC Asset Management Company) has always been committed to good corporate governance practices, including matters relating to Related Party Transactions. An endeavor is consistently made to have only arms' length transactions and those which are in the ordinary course of business with Related Parties.

This policy on Related Party Transactions (hereinafter referred to as "RPT Policy" or "Policy") of the Company is framed considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 ("the Act") read with the Rules framed there under. The Company has formulated the RPT policy and guidelines for the identification of related parties and the proper conduct and documentation of all related party transactions.

This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee of Directors (Audit Committee) of the Company. Going forward, the Audit Committee would review and amend the RPT Policy, as and when required, subject to the approval of the Board. In addition to the above, this Policy shall be reviewed by the Board of Directors every year.

## **2. Objective of the Policy**

The Objective of this Policy is:

- to set out the manner of dealing with the transactions between the Company and its related parties and the materiality thresholds for RPTs, based on the Act and any other statute as may be applicable to the Company.
- to regulate transactions between the Company, its subsidiaries, and its related parties with a view to ensure that such transactions are executed on an arm's length basis and in a transparent manner.
- to seek necessary approvals of the Audit Committee/Board/shareholders as may be necessary, after providing necessary information to them in the prescribed manner.
- To outline the procedures for identification, review, approval, disclosure and reporting of such transactions.

## **3. Definitions**

- A. **"Act"** means the Companies Act, 2013 as amended from time to time;
- B. **"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;
- 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) 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;

- D. **“Ordinary course of business”** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per its Memorandum and Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines;
- E. **“Relative”** with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder;
- F. **“Associate Company”** in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company as defined under sub-section (6) of section 2 of the Act;
- G. **“Significant Influence”** means significant influence as defined under sub-section (6)(a) of section 2 of the Act or under the applicable accounting standards:

**As per sub-section (6)(a) of section 2 of the Act “significant influence”** means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement;

**As defined under Indian Accounting Standards - 24 “significant influence”** means the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement;

- H. **“Control”** means control as defined under sub-section (27) of section 2 of the Act or under the applicable accounting standards:

**As per sub-section (27) of section 2 of the Act control** with reference to the Company it shall include 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.

**As defined under Indian Accounting Standards – 110** - An investor **“controls”** an investee if and only if the investor has all the following:

- power over the investee it means the investor has existing rights that give it the current ability to direct the relevant activities, i.e the activities that significantly affect the investee’s returns;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor’s returns;

I. **“Related Party”** means a related party as defined under sub-section (76) of section 2 of the Act or under the applicable accounting standards.

(i) **As per sub-section (76) of section 2 of the Act related party** with reference to the Company means:

- Director or his/her relative;
- Key managerial personnel or his/her relative;
- A firm, in which a Director, Manager or his/her relative is a Partner;
- Private limited company in which a Director or Manager or his/her relative is a member or Director;
- Public limited company in which a Director or Manager is a Director and holds along with his/her relatives, more than 2% of its paid-up share capital;
- 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;
- Person on whose advice, directions or instructions a Director or Manager is accustomed to act. (This section does not apply to persons acting in their professional capacity)
- Any company which is a holding, subsidiary or an associate company of such company;
- Any company which is a subsidiary of a holding company to which it is also a subsidiary;
- Any company which is an investing company or the venture of the company;
- A director [other than an independent director] or key managerial personnel of the holding company or his relative with reference to a company;

(ii) **As defined under Indian Accounting Standards - 24 a “related party”** is a person or entity that is related to the company which includes the following:

- (a) A person or a close member of that person’s family is related to a company if that person:
- i. has control or joint control of the company;
  - ii. has significant influence over the company; or
  - iii. is a member of the key management personnel of the company or of a parent of the

company;

- (b) An entity is related to a company if any of the following conditions apply:
- i. The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - iii. Both entities are joint ventures of the same third party;
  - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - v. The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company;
  - vi. The entity is controlled or jointly controlled by a person identified in (a);
  - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
  - viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the company or to the parent of the company;

J. **“Related Party Transaction(s)”** shall have the same meaning as specified under the Act and Rules made thereunder and shall mean a transaction involving transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged;

K. **“Material Related Party Transaction(s)”** means transaction referred under Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014 as mentioned below:

- sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company;
- selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the company;
- leasing of property any kind amounting to ten percent or more of the turnover of the company;
- availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company;
- is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and a half lakh rupees;
- is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth;

**Note:** The turnover or net worth referred in the above sub-rules shall be computed on the basis of the audited financial statement of the preceding financial year.

*Any other term not defined herein shall have the same meaning as defined under the Companies Act, 2013, applicable accounting standards or any other applicable law or regulation and as amended from time to time.*

*In case of any conflict between this Policy and applicable law, the applicable law (as existing on the date of the concerned transaction) shall prevail.*

#### **4. Policy**

As per the provisions of Companies Act, 2013 and Rules made there under and in the backdrop of the AMC's philosophy on such matters, a Policy is hereby framed as under:

##### **A. Identification of Related Party Transaction**

The Secretarial department shall at all times maintain a database of the Company's Related Parties identified on the basis of the definition set forth in Definition Clause 3(I)(i) above along with their personal/company details.

The Related Party List shall be updated by the Secretarial Department whenever necessary and shall be reviewed on quarterly basis.

Each Director and Key Managerial Personnel shall make an annual declaration / disclosure to the Secretarial department of the Company. Any change in the list of relatives shall be intimated by the Directors and Key Managerial Personnel by way of a fresh declaration to the Company within 7 days of such change.

The Secretarial department shall send the list of Related Parties to Chief Financial Officer (CFO) or any officer designated by CFO (Responsible person) in excel along with the relevant details for identification. Further, Secretarial Department shall notify the additions/deletions in the related party if any, to the Chief Financial Officer (CFO) or any officer designated by CFO (Responsible person) within 7 days of such change coming to the notice of secretarial department/at the time of quarterly review.

The Finance team shall identify transactions proposed with Related Parties as per list notified by the Secretarial Department. The Finance team shall classify the transaction based on the classification of the Related Party.

If the proposed RPT is,

1. In the ordinary course of business and
2. At arms-length and
3. Within the pre-approved limits approved by the Audit Committee (Omnibus approval)



and document evidencing 1 & 2 are concluded, the Finance team shall approve/process such transactions.

If the proposed RPT does not qualify as above, it shall be forwarded to the Audit committee through the Secretarial Department with adequate information including

1. Rationale
2. Contract terms

Before recording the transactions in the books of accounts, Finance Department should ensure that all the related party transactions are appropriately approved as per the requirements of this policy either by the audit committee/board/shareholders as the case may be.

The Secretarial department shall keep and maintain a register, physically or electronically, as may be decided by the Board, giving separately the particulars of all transactions or contracts or arrangements to which this policy applies. The register shall be preserved and shall be kept in the custody of the Company Secretary of the Company or any other person authorized by the Board for the purpose.

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

### **Approval by Audit Committee**

- i) As per the provisions of Section 177 of the Act, all related party transactions shall require prior approval of the Audit Committee. However, for related party transactions, other than those transaction referred to in Section 188 of the Act, between holding company and its wholly owned subsidiary companies approval of audit committee is not required.
- ii) The Audit Committee may, in the interest of the Company, grant omnibus approval for related party transactions that are repetitive in nature, subject to the following conditions to be contained in the omnibus approval:
  - specify the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, wherever possible;
  - specify the indicative base price / current contracted price and the formula for variation in the price, if any, wherever possible and
  - such other conditions as the Audit Committee may deem fit.
- iii) The Audit Committee may also, in the interest of the Company, grant omnibus approval for related party transactions that cannot be foreseen and for which the aforesaid

details are not available up to a value of Rs. 1 crore per transaction or such other amount as may be prescribed in the applicable regulations in this regard from time to time.

- iv) The 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. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

#### **Approval by the Board of Directors**

- i) As per the provisions of Section 188 of the Act, any contract or arrangement with a related party with respect to the following items shall be entered into only with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed,
  - a) Sale, purchase or supply of any goods or materials;
  - b) Selling or otherwise disposing of, or buying, property of any kind;
  - c) Leasing of property of any kind;
  - d) Availing or rendering of any services;
  - e) Appointment of any agent for purchase or sale of goods, materials, services or property;
  - f) Appointment to any office or place of profit in the company;
  - g) Underwriting the subscription of any securities or derivatives thereof, of the Company.

However, such approval of the board is not required if the transactions specified above are entered in the ordinary course of business on an arm's length basis.

- ii) In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:
  - (a) Transactions which may be in the ordinary course of business and at arm's length basis, but which, as per the Policy determined by the Board from time to time (i.e. value threshold and/or other parameters) requires Board approval in addition to Audit Committee approval;
  - (b) Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
  - (c) Transactions which are in the ordinary course of business and at arm's length basis,

but which in Audit Committee's view requires Board approval.

- iii) The requirement for seeking board's approval shall not be applicable to transactions between the Company and its wholly-owned subsidiary(ies) whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- iv) The Company may if it considers necessary and shall if the Audit Committee or Board so requires, seek external professional opinion to determine whether an RPT is in the ordinary course of business and/ or at arms' length.
- v) Where any director is interested in any contract or arrangement with a related party, such director shall not participate during discussions and vote on the subject matter of the resolution related to such contract or arrangement.

#### **Approval by the Shareholders**

- i) All kinds of transactions specified under Section 188 of the Act which
  - (a) are not in the ordinary course of business or are not at arm's length basis; and
  - (b) material related party transactions shall be placed before the shareholders for approval.
- ii) The requirement for seeking Shareholders' approval shall not be applicable to transactions between the Company and its wholly-owned subsidiary(ies) whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- iii) No member of the Company shall vote on such resolutions to approve any related party contract or arrangement if such a member is a related party. However, this proviso is not applicable to the company in which ninety per cent or more members, in number, are relatives of promoters or are related parties:
- iv) The following information shall be provided to the shareholders while seeking their approval for RPTs:
  - a. A summary of the information provided by the management of the Company to the audit committee;
  - b. Reasons/justification for why the proposed transaction is in the interest of the Company;
  - c. Where the transaction relates to any loans, inter-corporate deposits, advances or

investments made or given by the Company or its subsidiary, the details specified under:

- i) details of the source of funds in connection with the proposed transaction;
  - ii) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
    - nature of indebtedness;
    - cost of funds; and
    - tenure;
  - iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
  - iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- d. A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;

**C. Related Party Transactions not approved under this policy**

- i) In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the RPTs, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction.
- ii) In case any related party transaction not approved by the Audit Committee, Board, or Shareholders as appropriate in-line with the provisions of the Companies Act, 2013 the relevant extant provisions of Section 188 shall apply.

**5. Disclosure and Reporting**

- Details of the RPTs during the quarter shall be disclosed in the Audit Committee and Board meeting.
- The Company shall disclose all the related party transactions in the Financial Statements on an annual basis based on the applicable accounting standards.
- Board's Report shall contain details of RPTs as described under Section 188 of the Act.

**Annexure I**  
**Approval process**

<b>Matrix for approval of Related Party Transactions</b>			
<b>Nature of Transaction</b>	<b>Audit Committee Approval*</b>	<b>Board of Directors Approval</b>	<b>Shareholder's Approval</b>
Ordinary course of business and at arm's length	Yes	Board will note the same	Exempted
Not in Ordinary course of business and/or at arm's length	Prior Approval	Prior Approval  Board may ratify the transactions within three months	Prior Approval, if material transaction  Shareholder may ratify the transactions within three months

\*All related party transactions, for which omnibus approval of the Audit Committee, has already been sought will not require prior approval of the Audit Committee.

\* Transaction(s) such as below, undertaken by the Independent Director with the Company or its holding, subsidiary, or associate company or their promoters or directors during the year and during two immediately preceding financial years shall not fall in the ambit of pecuniary relationship with the Company and shall not require prior approval of the Audit Committee.

- a) Transaction(s) done in the ordinary course of business at arm's length;
- b) Receipt of remuneration by way of sitting fees and commission;
- c) Reimbursement of expenses for attending board and other meetings.