

Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions.

(Version 6.0)

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**Associates & Subsidiaries Department
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(Note: This policy document is also available at website of SBI in (<https://www.sbi.co.in/web/corporate-governance/corporate-governance>))

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Details of Versions and Approving Authority with dates

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1.0	17.05.2016	Central Board
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1. PREAMBLE.

- 1.1. The State Bank of India, (“SBI” or “the Bank”), a body corporate constituted under the provisions of the State Bank of India Act, 1955 (“SBI Act”), is governed by the provisions of the SBI Act. Further, SBI is bound by the regulations viz. State Bank of India General Regulations, 1955 (“SBIGR”) framed under section 50 of the SBI Act. SBI is also bound by the provisions mentioned in section 51 of the Banking Regulations Act, 1949 (“BR Act”), and the directions and guidelines issued by the regulatory authority, Reserve Bank of India (“RBI”) from time to time in accordance with the BR Act, Reserve Bank of India Act, 1934 (“RBI Act”) or any other statutory provisions.
- 1.2. SBI, being a listed entity is to comply with the regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation 2015 (Listing Regulations) and the guidelines issued by the Securities and Exchange Board of India (“SEBI”) from time to time in this regard.
- 1.3. Regulation 23 (1) of the Listing Regulations, dealing with Related Party Transactions requires a listed entity to formulate a policy on materiality of Related Party transactions and on dealing with Related Party and this Policy is formulated to fulfil the said requirement.

2. NAME AND SCOPE OF THE POLICY.

- 2.1. This policy shall be called “Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions” (now referred as “Policy”).
- 2.2. The Central Board of SBI shall be empowered to approve and adopt this Policy.
- 2.3. 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.

Operational Guidelines with respect to Related Party Transaction and/or Material Related Party Transaction under the Policy has been framed and will be amended from time to time according to requirement, with the approval of the Vertical Head/Group Head.

3. APPLICABILITY

- 3.1. Subject to the exemptions mentioned in the Policy, this Policy shall be applicable to all Related Party Transactions undertaken by the Bank with related party (ies) of the Bank or any of its subsidiary (domestic/ overseas).
- 3.2. Subject to the exemptions mentioned in the Policy, this Policy shall be applicable to Related Party Transactions undertaken by the subsidiary (domestic/ overseas), beyond the thresholds prescribed under Para 5.1.1 or Para 6.1, with its related party (ies) or related party (ies) of the Bank or related party (ies) of any other subsidiary (domestic/ overseas).
- 3.3. This Policy is applicable to joint ventures and associates of the Bank or subsidiaries of the Bank (domestic/overseas) to the extent of transactions entered with it as a related party of the Bank or any of its subsidiary.
- 3.4. (w.e.f. April 1, 2023) This Policy shall be applicable to Related Party Transactions undertaken by the Bank or its subsidiary (domestic/ overseas) with any person/entity, the purpose and effect of which is to benefit a related party of the Bank or any of its subsidiary (domestic/ overseas).

4. DEFINITIONS

- 4.1. **“Annual Consolidated Turnover”** means total income (i.e. interest earned plus other income) as per the last audited consolidated financial statements of the Bank.

“Annual Standalone Turnover” means total income (i.e. interest earned plus other income) as per the last audited standalone financial statements of the Bank.

- 4.2. **“Associate”**

(i) As defined under Accounting Standards, any entity in which an investing company has significant influence but is neither a subsidiary nor a joint venture of that investing company.

(ii) As defined under the Companies Act 2013, ‘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.

Explanation. —For the purposes of this clause:

- a “significant influence” means control of at least twenty per cent. of total voting power, or control of or participation in business decisions under an agreement;
- b "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

- 4.3. “**Audit Committee**” means the ‘Audit Committee of the Board’ of the Bank.
- 4.4. “**Bank**” means the State Bank of India (SBI), constituted under the State Bank of India Act, 1955.
- 4.5. “**Central Board**” means the Central Board as defined under Section 19 of the State Bank of India Act, 1955 as amended from time to time and includes the Executive Committee of the Central Board constituted as per Section 30 of the State Bank of India Act, 1955.
- 4.6. “**Key Managerial Personnel (KMPs)**” means the Chief Executive Officer (Chairman), Managing Directors, Deputy Managing Director (Finance), Chief Financial Officer and Company Secretary of the Bank if any.
- 4.7. “**Material Related Party Transaction(s)**” means:
- (a) a transaction(s) entered by the Bank with a Related Party, shall be considered material if the transaction 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 financial statements of the Bank; or
- Note: w.e.f. 01.04.2022, the existing clause (a) shall be ***substituted with the following clause***, namely:
- “a transaction(s) entered by the Bank with a Related Party shall be considered material if the transaction(s) 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 as per the last audited financial statements of the Bank, whichever is lower; or
- (b) a transaction involving payments made to a Related Party with respect to brand usage or royalty, shall be considered material if the transaction to be entered into individually or taken together with previous transactions during a financial year, exceeds five percent of the Annual Consolidated Turnover of the Bank as per the last audited financial statements of the Bank.
- 4.8. “**Related Party**”: For the purpose of this policy, a party shall be considered as related to the Bank if:
- a Such party is a Related Party under Section 2(76) of the Companies Act, 2013¹; or

¹ ¹As per Section 2(76) of the Companies Act, 2013 “Related Party”

means— (i) a director or his relative;

(ii) 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;

- b Such party is a Related Party under the applicable accounting standards².
- c Such party is a person or entity belonging to the promoter or promoter group of the Bank and holds 20% or more of shareholding in the Bank.

Note: w.e.f. 01.04.2022, clause (c) shall be substituted with the following clause, namely.

- c. any person or entity forming a part of the promoter or promoter group of the Bank; or
- d. Such party is a person or entity holding equity shares of 20% 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 (w.e.f. 01.04.2022).

Note: **w.e.f. 01.04.2023, clause (d) shall be substituted with the following clause, namely.**

- d. Such party is a person or entity holding equity shares of 10% 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.

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- (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:*
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
 - (viii) *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 venture 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) such other person as may be prescribed;

² *As per Accounting Standard 18, a Related Party is defined as “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.”*

4.9. “**Related Party Transaction(s) (RPT)**” means a transfer of resources, services or obligations between the Bank and a Related Party regardless of whether or not a price is charged. Further, a transaction with a Related Party shall be construed to include single transaction or a group of transactions in a contract.

Note: **w.e.f. 01.04.2022, the existing definition shall be substituted** with the following definition, namely;

“**Related Party Transaction(s) (RPT)** means a transfer of resources, services or obligations between:

- a. Bank or any of its subsidiaries on one hand and related party of the Bank or any of its subsidiaries on the other hand; or
- b. 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 the related party of the Bank or any of its subsidiaries (**w.e.f. 01.04.2023**).

regardless of whether or not a price is charged. Further, a transaction with a Related Party shall be construed to include single transaction or a group of transactions in a contract.

Provided that the following shall not be an RPT:

- i. the issue of specified securities on a preferential basis, subject to compliance of the requirements under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- ii. following corporate actions taken by the Bank which are uniformly applicable/ offered to all shareholders in proportion to their shareholding:
 - a. payment of dividend;
 - b. subdivision or consolidation of securities;
 - c. issuance of securities by way of a rights issue or a bonus issue; and
 - d. buy-back of securities.
- iii. acceptance of fixed deposits by the Bank 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 the Board.

4.9.1 In case the Bank or any of its subsidiaries is following different Accounting Standards for preparation of their financial statements then higher of amount determined in accordance with respective Accounting Standards shall be considered.

4.10 “**Relative**” means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed there under.³

4.11 “**SBI Act**” means the State Bank of India Act, 1955 (Act No. 23 of 1955) as amended from time to time.

4.12 “**Subsidiary**” in relation to the SBI, means a company in which the Bank

- i. controls the composition of the Board of Directors; or
- ii. exercises or controls more than one-half of the total voting power either on its own or together with one or more of its subsidiary companies;

Explanation.— For the purposes of this clause :-

(a) a company shall be deemed to be a subsidiary company of the Bank even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the Bank;

(b) the composition of a company’s Board of Directors shall be deemed to be controlled by the Bank if the Bank by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the Directors;

(c) the expression “company” includes any body corporate;

5. DEALING WITH RELATED PARTY TRANSACTIONS

5.1. All RPTs shall require prior approval of the Audit Committee provided only those members of the Audit Committee, who are independent directors, shall approve RPTs.

Note: **w.e.f. 01.04.2022, the existing clause shall be substituted** with the following namely;

All RPT, except for those provided in sub-para 5.1.1 below, and subsequent material modifications (as explained in Para 7 below), shall require prior approval of the Audit Committee provided that only those members of the Audit Committee, who are independent directors, shall approve RPTs.

³ In terms of section 2(77) of the Companies Act, 2013 read with the Rule 3 of Companies (Specification of Definitions Details) Rules, 2014 a person is said to be a relative of another, if – a. They are members of a Hindu undivided family;

b. They are husband and wife;

c. Father (including step-father);

d. Mother (including step-mother);

e. Son (including step-son);

f. Son’s wife;

g. Daughter;

h. Daughter’s husband;

i. Brother (including step-brother); or

j. Sister (including step-sister)

5.1.1 Prior approval of Audit Committee shall not be required in following cases:

- a. A Related Party Transaction to which the subsidiary of the Bank is a party but the Bank is not a party and the value of such transaction, whether entered into individually or taken together with previous transactions during a financial year, does not exceed ten per cent of the **Annual Consolidated Turnover**, as per the last audited financial statements of the Bank;

Note: *w.e.f. 01.04.2023, the proviso 5.1.1(a) as applicable from 01.04.2022* shall be **substituted** with the following namely;

- a. A Related Party Transaction to which the subsidiary of the Bank is a party but the Bank is not a party and the value of such transaction, whether entered into individually or taken together with previous transactions during a financial year, does not exceed ten per cent of the **Annual Standalone Turnover**, as per the last audited financial statements of the subsidiary;
- b. Where the value of RPT exceeds the threshold provided in (a.) above however, it is an RPT to which the listed subsidiary is a party but the Bank is not a party, if the listed subsidiary is not exempt from regulation 23 and sub-regulation (2) of regulation 15 of the Listing Regulations.
- c. RPTs of unlisted subsidiaries of a listed subsidiary as referred to in (b) above, if prior approval of the audit committee of such listed subsidiary has been obtained.

5.2. Subject to provisions of this clause, the Audit Committee shall be empowered to grant omnibus approval for RPT proposed to be entered into by the Bank.

5.3. Before granting any approval, the Audit Committee shall satisfy itself that the approval is in the interest of the Bank.

5.4. The Audit Committee may grant omnibus approval to those transactions which are repetitive in nature or such other transactions which the Audit Committee deems fit.

- 5.5. The omnibus approval shall specify:
- (i) the name(s) of the Related Party,
 - (ii) the nature, period and maximum amount of transaction that can be entered into,
 - (iii) the indicative base price or current contracted price and the formula for variation in the price, if any
 - (iv) any other detail(s) as may be specified by the Audit Committee as may deem fit or stipulated by the Bank from time to time.
- 5.6. Where the need for RPT cannot be foreseen and/or details as mentioned in clause 5.5 are not available, the Audit Committee may grant omnibus approval for such transactions of value not exceeding Rs.1 crore per transaction to be treated as Significant RPT.
- 5.7. Audit Committee shall review, at least on a quarterly basis, or as may be required, the details of all RPT entered into by the Bank pursuant to each of the omnibus approval accorded by it.
- 5.8. Any omnibus approval granted by the Audit Committee shall be valid for a period not exceeding one year and the Audit Committee shall be empowered to grant fresh approval on expiry of such validity period.
- 5.9. The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

6. DEALING WITH MATERIAL RELATED PARTY TRANSACTIONS

- 6.1. In respect of all Material RPT, the Bank shall obtain approval of the shareholders through a resolution and Related Party shall not vote to approve such resolution irrespective of whether the Related Party is part of particular transaction or not.

Note: **w.e.f. 01.04.2022, the existing clause shall be substituted** with the following, namely;

In respect of all Material RPT and subsequent material modifications (as explained in Para 7 below), the Bank shall obtain prior approval of the shareholders through a resolution and Related Party shall not vote to approve such resolution irrespective of whether the Related Party is part of particular transaction or not.

Provided that prior approval of the shareholders of the Bank shall not be required for RPT to which the listed subsidiary is a party but the Bank is not a party, if the listed subsidiary is not exempt from regulation 23 and sub-regulation (2) of regulation 15 of the Listing Regulations.

(Explanation: For RPTs of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.)

7. MATERIAL MODIFICATION IN RPTs

- 7.1. "Material Modification" shall mean any modification made in the terms and conditions of any ongoing or proposed RPT, as originally approved by the Audit Committee and/or shareholders, as the case may be, having a significant impact on the nature, value, tenure, exposure, or likely financial impact of such transaction, as may be determined by the Audit Committee from time to time.
- 7.2. Provided that there shall be a rebuttable presumption that a modification is material, if such modification, together with previous modifications during a financial year, results into any of the following-
- (i) A variation in the value of the transaction/contract as originally approved, by 25%, or more.
 - (ii) The terms of the contract cease to be arms' length.
 - (iii) Granting of any waiver, abatement or any other relief to either party, which results into a financial implication equal to 25% or more of the value of the contract.
 - (iv) Extension of tenure of the contract by 25% or more of the original tenure, or continuation of the contract or arrangement beyond the tenure originally agreed upon, except for completion of any residual performances.
 - (v) Any modification which results into the claims of either party being subordinated, or relaxation of security interest:
 - *Provided that giving any consent for cessation of pari passu charge or any other security interest, provided there is adequate asset cover, shall not be deemed as modification of contract.*
 - (vi) Any novation of the contract or arrangement to a third party.
- 7.3. Provided further that the following shall not be considered as material modification-
- (i) modifications which may be mandated pursuant to change in law,
 - (ii) modifications pursuant to and in accordance with the terms of the approved transaction/contract, whether with or without mutual consent of parties, as the case may be,
 - (iii) modifications resulting from change in constitution of either of the parties pursuant to schemes of arrangement (e.g. merger, amalgamation, demerger, etc.),

- (iv) modifications which are purely technical and do not result in substantive change or alteration of rights, interests, and obligations of any of the parties,
- (v) modifications uniformly affected for similar transactions with unrelated parties

8. EXEMPTIONS TO THE POLICY

8.1. Nothing contained in Para 5 and 6 of this Policy shall be applicable to any transaction that the Bank may enter into with:

- i. a Government Company⁴;
- ii. a Wholly Owned Subsidiary of the Bank whose accounts are consolidated with the Bank and placed before the shareholders at the general meeting for approval;
- iii. Government or any person or entity in accordance with the permitted business of the Bank as per section 32 or 33 of the SBI Act; ⁵
- iv. transactions entered into between two Wholly Owned Subsidiaries of the Bank, whose accounts are consolidated with the Bank and placed before the shareholders at their General Meeting for approval.

⁴ "Government Company(ies)" means Government company as defined in sub-section (45) of section 2 of the Companies Act, 2013.

⁵ Section 32 of SBI Act read: "32. State **Bank to act as agent of the Reserve Bank.** –

(1) *The State Bank shall, if so required by the Reserve Bank, act as agent of the Reserve Bank at all places in India where it has a branch or where there is a branch of a subsidiary bank, and where there is no branch of the banking department of the Reserve Bank, for-*

- (a) *paying, receiving, collecting and remitting money, bullion and securities on behalf of any Government in India; and*
- (b) *undertaking and transacting any other business which the Reserve Bank may from time to time entrust to it.*

(2) *The terms and conditions on which any such agency business shall be carried on by the State Bank on behalf of the Reserve Bank shall be such as may be agreed upon.*

(3) *If no agreement can be reached on any matter referred to in sub-section (2) or if a dispute arises between the State Bank and the Reserve Bank as to the interpretation of any agreement between them, the matter shall be referred to the Central Government and the decision of the Central Government thereon shall be final.*

(4) *The State Bank may transact any business or perform any functions entrusted to it under sub-section (1) by itself or through a subsidiary bank or through an agent approved by the Reserve Bank.*

SBI Act Section 33 reads as subject to the other provisions contained in this Act, the State Bank may carry on and transact the business of banking as defined in clause (b) of section 5 of the Banking Regulation Act, 1949 (10 of 1949), and may engage in one or more of the other forms of business specified in sub-section (1) of section 6 of that Act."

9. RPT NOT APPROVED UNDER THIS POLICY

- 9.1. In the event, the Bank becomes aware of any RPT that has not been approved as per Para 5 or 6 of the Policy prior to their consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee may after considering all of the relevant facts and circumstances regarding the RPT, evaluate all options available, including ratification, revision or termination of the RPT and may take appropriate decision. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPT and shall take any such action it deems appropriate.
- 9.2. In case the Audit Committee does not deem fit to ratify an RPT under Para 9.1 above, that has commenced without approval, the Audit Committee, may direct additional actions including, but not limited to, immediate discontinuation of the transaction or such other measures as it may deem appropriate. The Audit Committee shall also have the authority to modify or waive any procedural requirements of the RPT to suit the provisions of this Policy.
- 9.3. In other circumstances, the Audit Committee may recommend to the Central Board and the same shall be empowered to take a decision in respect of such RPT, as it may deem appropriate in the matter.
- 9.4. No member of the Audit Committee / Central Board shall participate in the review or approval of any RPT in which such member is interested except that the Key Managerial Personnel, although can be present, shall provide all material information concerning the RPT to the Audit Committee / Central Board.
- 9.5. In case the aforesaid RPT requires prior approval of shareholders, then once it is ratified by the Audit Committee, it may be ratified by the shareholders in the General Meeting.

10. DISCLOSURE OF THE RPT/ POLICY

- 10.1. Adequate disclosure of details of Material RPT with Related Parties shall be disclosed quarterly along with the compliance report on corporate governance.

- 10.2. The Bank shall disclose the Policy on dealing with RPT on its website and also a web link thereto shall be provided in the Annual Report.
- 10.3. The Bank shall submit to the stock exchanges, disclosures of RPTs along with its standalone and consolidated financial results for the half year in the specified format and within the specified timeline of SEBI and publish the same on its website.
- 10.4. The Bank shall provide Related Party Disclosure in its Annual Report as per Schedule V of Listing Regulations.

11. OWNERSHIP & REVIEW OF THE POLICY

- 11.1. This Policy is owned by Associates & Subsidiaries Department and is subject to updating/review, on account of any change in regulatory requirements or as may be required to do so from time to time. The Central Board shall review the Policy at least once in every two years (or) whenever there are regulatory changes or changes in the policy are required for corporate governance felt, which are not recurring in nature and update accordingly.
- 11.2. The Associates & Subsidiaries Department of the Bank or any other department as may be directed by the Central Board shall be empowered to submit the review/ updation of this Policy.
- 11.3. Consequent upon any further change in the Listing regulations or other applicable laws after the policy gets approved, the relevant amended provisions would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.

12. RELATED LAWS/GUIDELINES/BANK'S POLICY GUIDELINES

Related Party transactions are governed by the following laws/regulatory guidelines in India

- a. Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015
- b. The Companies Act 2013
- c. The State Bank of India Act 1955
- d. Accounting Standard 18-Related Party Disclosure-issued by the Institute of Chartered Accountants of India (ICAI);
- e. Arm's Length Policy of the Bank

(Related Party is defined in the Companies Act 2013 and the applicable Accounting Standards)