



POLICY ON RELATED PARTY TRANSACTION



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BNK CAPITAL MARKETS LIMITED
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CIN: L34202WB1986PLC040542

Preamble

BNK Capital Markets Limited (“BNK” or “Company”) is governed, amongst others, by the rules and regulations framed by Securities Exchange Board of India (“SEBI”). SEBI has mandated every listed company to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. Accordingly, the Board of Directors of the Company has adopted the following policy and procedure with regard to Related Party Transactions.

Section 188 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014 provides the detailed mechanism for dealing with Related Party Transaction’s (“RPT’s”) of a Company. Further, it provides for certain compliance requirements such as Board approval and Shareholder’s approval in specific circumstances. In addition, Section 177 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014 provides for approval of the Audit Committee for RPT’s.

In view of the notification issued by the Securities Exchange Board of India, the amendment to this Policy has been adopted by the Board of Directors of the Company based on the recommendations of the Audit Committee and shall be effective from April 1, 2022.

The Audit Committee will review the same from time to time and propose the amendment required in the policy to the Board of Directors.

Definitions

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| Act | The Companies Act, 2013 |
| Audit Committee | Committee of Board of Directors of the Company constituted under provisions of LODR and the Act |
| Arm’s Length Transaction | a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest |
| Board | Board of Directors of the Company. |
| Control | Control 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. |

Key Managerial Personnel

- Chief Executive officer and/or the Managing Director
- Company Secretary and
- Chief Financial Officer

or 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.

LODR/Listing Regulations

SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended from time to time.

Material Related Party Transaction Under LODR

A transaction 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 Rs. 1000 crore or ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

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 listed entity as per the last audited financial statements of the listed entity.

The above financial thresholds are subject to any amendments made in the Listing Regulations from time to time, in which case the above thresholds shall deem to refer to such amended threshold(s).

Material Modification

Any modification(s), alteration(s) and/or change(s) to the terms and conditions governing a transaction

- (a) 10% of the financial consideration; or
- (b) Changes to the payment terms resulting in deferment of payment of consideration for more than 3 months; or
- (c) having financial implication of more than Rs.10 Crores shall be considered as material modification.

Significant Related Party Transaction

A transaction shall be considered material if it exceeds the following limits:

- Sale, purchase or supply of any goods or materials (> 10% of Annual Turnover*)
- Selling or otherwise disposing of, or buying, property of any kind (> 10% of Net Worth*)
- Leasing of property of any kind (> 10% of Turnover or Net Worth)
- Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company (monthly remuneration > Rs. 2.5 Lakh)
- Availing or rendering of any services (> 10% of Net Worth)
- Underwriting the subscription of any securities or derivatives thereof, of the company (>1% of Net Worth)

* Turnover or Net worth criteria shall be on the basis of the audited standalone financial statements of the preceding financial year.

Ordinary Course of Business

means a transaction which/wherein:

- is carried out in the normal course of business envisaged in accordance with the Memorandum of Association ('MoA') of the Company as amended from time to time, or
- is as per historical practice with a pattern of frequency, or
- is in connection with the normal business carried on by the Company, or
- the income, if any, earned from such activity/transaction is assessed as business income in the Company's books of accounts and hence is a business activity, or
- is common commercial practice, or
- meets any other parameters/criteria as decided by the Board/Audit Committee.

Related Party

Related Party shall have the same meaning as defined under Section 2(76) of the Act or under the applicable accounting standards read with Regulation 2(1) (zb) of the SEBI Listing Regulations and other applicable provisions, if any.

Reference and reliance may be placed on the clarification issued by the Ministry of the Corporate Affairs, Government of India and SEBI and other Authorities from time to time on the interpretation of the term "Related Party".

What is Related Party Transaction

"Related Party Transaction" shall mean any transaction where a counterparty is a related party and shall include the related party transactions listed under Section 188 (1) of the Act, Regulation 2(1) (zc) of the SEBI Listing Regulations, applicable accounting standards and other applicable provisions, if any.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the LODR or any other applicable law or regulation.

Company Secretary will prepare the list of Related Parties and in consultation with Finance & Accounts team shall provide the list of the Related Parties together with transaction value on quarterly basis to the Audit Committee/Board, as the case may be.

Applicability

This Policy shall be applicable to all Related Party Transactions (as defined above) entered by the Company. All Related Party Transactions are to be done strictly as per the procedures, processes and methodologies prescribed in this policy and this policy shall invariably be applicable to the Company and all transactions with its related parties.

However, the provisions given under LODR / SEBI circulars, as mentioned in this policy shall be applicable only to the Company.

Process of Identification and Monitoring of Related Party

a) Identification of Related Party

The Company Secretary shall identify all Related Parties for the Company on the basis of disclosures received at the beginning of a financial year or any changes thereto during the financial year, from the Directors and Key Managerial Personnel. Based on above and where applicable, based on other information, the management shall prepare and present before the Audit Committee a list of Related Parties. This list will be updated on an ongoing basis to reflect changes, if any.

Further, the Secretarial Department shall on an ongoing basis review the definition of related party under the Act as well as under LODR and inform the list of related parties to the Audit Committee on annual basis and as and when there are significant changes from the last disclosure

The Company prefers to receive such notice of any potential related party transaction well in advance so that Audit Committee has adequate time to obtain and review information about the proposed transaction.

- b) Generally related party transactions will be done only at Arm's length in terms of prices/terms and conditions and in the normal course of business. In case where a transaction is done without monetary consideration, then the arm's length price shall be the price, if the transaction should have been transacted at a price, had it not been done without monetary consideration.

c) Arm's length price comparable to be established for every transaction by any one of the following methods:

- (i) Comparison with similar transactions with third parties
- (ii) Having three (3) quotations
- (iii) Establishing comparable prices/terms using reputed data bases or indices.
- (iv) Transfer pricing analysis determined by a third-party agency
- (v) Any price determined by any Regulator
- (vi) Third party valuation report to be obtained to establish the Arm's Length Price.

d) For every related party transaction or modification(s) thereof, necessary approvals shall be obtained from the Audit Committee/Board/Shareholders, as the case may be.

Review and Approval of Related Party Transaction

Prior to entering into any RPT whatsoever, the management shall refer the latest Related Party List circulated by the Secretarial Team to access whether the party to whom the transaction is proposed to be entered is Related Party.

If the party is a related party, then the management would need to ensure that the RPT is being entered in accordance with the framework for RPT or seek a prior approval of the Audit Committee for undertaking such RPT.

A. Audit Committee

1. All related party transactions and subsequent material modifications shall require prior approval of the audit committee before entering into such transaction in compliance with the provisions of the Act and the Listing Regulations, as amended from time to time. The Audit Committee shall consider all relevant factors while deliberating the Related Party Transactions for its approval.
2. Any member of the Audit Committee who has a potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party transaction.
3. A Related Party Transaction which is
 - (i) not in the ordinary course of business, and / or
 - (ii) not at arm's length price,Would require approval of the Board or of shareholders as discussed subsequently.

Omnibus Approval

The Audit Committee may establish guidelines for granting the omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be in respect of transactions which are repetitive in nature and subject to the following specifications:

- i. The name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
- ii. The indicative base price / current contracted price and the formula for variation in the price, if any; and
- iii. Such other conditions as the Audit Committee may deem fit.

Provided that where the need for Related Party Transaction cannot be foreseen and

aforesaid details are not available, Audit committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

Thereafter, the Audit Committee, shall review atleast on a quarterly basis, the details of RTPs entered into by the Company pursuant to each of the omnibus approval given.

The omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

A Related Party Transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for ratification.

Budgetary approval(s) will be obtained for proposed related transactions from the Audit Committee/Board/Shareholders, as the case may be, showing the name of related parties, nature of transactions, maximum amount of transaction in a year, indicative base price /current contracted price and the formula for variation in the price, if any and amount for full year as per Annual Business plan for the year, and where the transaction exceeds the budgetary approval, supplementary approval shall be taken from the respective authority(s) before entering into the transaction. (Format for approval given in **Annexure-I**)

Quarterly statement showing details of transactions as above and vetted by Internal Auditor will be submitted to Audit committee.

B. Board of Directors

In case any Related Party Transactions are referred by the Company to the Board for its approval due to the transaction being

- (i) not in the ordinary course of business, and / or
- (ii) not at an arm's length price,

the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

C. Shareholders

If a Related Party Transaction is;

- (i) a Material Related Party transaction as per Regulation 23 of the Listing Regulations,
or
- (ii) not in the ordinary course of business, or not at arm's length price and exceeds thresholds as defined in this policy as Significant Related Party transaction in terms of Section 188(1) read with Rules.

it requires approval of the shareholders of the Company.

However, prior approval of the shareholders shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of the Listing Regulations are applicable to such listed subsidiary.

The requirement of shareholders' approval shall also not be applicable for transactions in respect of which such relaxations/exemptions are provided in the Act and/or the Listing Regulations.

Transactions which do not require approval

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee:

- a) Any transaction involving the providing of compensation to a director or Key Managerial Personnel in connection with his duties to the Company including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- b) All continuing Related Party Transactions which have been approved by the Audit Committee, Board and Shareholders, shall not be placed for approval again, unless there is any material modification in the terms and conditions or the pricing policy. However, as aforesaid, any omnibus approval granted by Audit Committee for repetitive Related Party Transactions shall be valid for one financial year and shall require fresh approval after the expiry of that year.

Related Party Transactions not previously approved under the Policy

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Audit Committee or Board of Directors or the Shareholders as may be required in accordance with this Policy for review and ratification.

In case the Audit Committee does not deem fit to ratify a Related Party Transaction that has commenced without approval as stated above, the Audit Committee, may direct additional actions including, but not limited to, immediate discontinuation of the transaction or such other matter as it may deem appropriate. The Audit Committee also has the authority to modify or waive any procedural requirement of the Related Party Transaction to suit the provision of this policy.

The Audit Committee or the Board of Directors or the Shareholders, as the case may be, shall consider all relevant facts and circumstances of such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision or termination of such transaction and the Company shall take such actions as the Audit Committee deems appropriate under the circumstances.

Disclosures

Details of approvals obtained on Related Party Transactions shall be disclosed to the stock exchanges on quarterly basis in specified format along with the compliance report on corporate governance.

Related Party Transactions are to be disclosed to the Stock Exchanges on a consolidated basis, within such period from the date of publication of standalone / consolidated financial results of the Company for every half-year, as may be stipulated in the Listing Regulations from time to time.

The Company shall disclose the Policy on dealing with Related party Transactions on its website and a web-link shall be provided in the Annual Report.

The Company shall disclose, in the Board's report, transactions, if any, prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.

The Company Secretary shall also arrange to make necessary entries in the Register of Contracts required to be maintained under the Act.

Review, Modification and Amendment

In the event of any conflict between this Policy and the LODR / Act or any statutory enactments, rules, the provisions of such LODR/ Act or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy. The Board on recommendation of the Audit Committee shall review the Policy once in three years and may amend the same from time to time.

This has been adopted in the Board Meeting held on 24th January 2022 and shall be updated as and when required.

Annexure I

Related Party Transaction format

Format for taking budgetary approval for related party transactions from Audit Committee

| Sl . N o | Name of the Party and relationsh ip | Nature of Transactio n | Tenure | Previous Year (Annual) (Rs.in Cr.) | Propos ed Value (Annual) (Rs.in Cr.) | Remarks (Indicative base price/current contract price/formula for variation in price) |
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