

# IndiaFirst Life Insurance Company Limited

## Policy on Related Party Transaction

Version	Date of approval	Approved by	Remarks /Summary of Changes
Ver 1.0	April 27, 2017	Board of Directors	<ul style="list-style-type: none"><li>• Approved by Board</li></ul>
Ver 2.0	Oct 22,2020	Board of Directors	<ul style="list-style-type: none"><li>• Incorporated separate table on “Document control and Classification”</li><li>• Inserted the regulatory reference of IRDAI</li><li>• Incorporated / Elaborated / Exemplified few definitions in line with applicable law and regulations.</li><li>• Conditions for omnibus approval are elaborated in line with applicable rules.</li><li>• Bringing reference to Section 188 of Companies Act read with Companies (Meeting of Board and its Power) Rules, 2014.</li><li>• Considering the regulatory and practical aspect exclusion clause removed from the policy.</li><li>• Bringing reference to Section 189, Sec 184 read with other applicable provisions of Companies Act 2013 for content of such disclosures.</li><li>• The clause on reporting of related party transaction has been incorporated in line with Section 177,188 of the Companies Act 2013 and AS 18.</li><li>• Inserted the appendix to the policy for ease of understanding the abbreviations used in policy</li></ul>
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Ver 4.0	Oct 18, 2022	Board of Directors	<ul style="list-style-type: none"><li>• SOP updated as per requirements of SEBI Listing Regulations.</li><li>• Approval of related party transaction by Audit Committee, Board and Shareholders</li><li>• Added materiality threshold to identify material related party transaction</li></ul>

## Document Control and Classification

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## POLICY ON RELATED PARTY TRANSACTION

### 1. Preface:

This Policy is prepared with objective to regulate the transactions of the Company with the Related Parties in compliance with the various applicable laws, including under the Companies Act, 2013 and the rules made thereunder, each as amended (the “**Act**”), Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“**SEBI Listing Regulations**”), Clause 3A.1 of the Guidelines for Corporate Governance for insurers in India issued by the Insurance Regulatory and Development Authority on May 18, 2016 (“**IRDAI Corporate Governance Guidelines**”), including any amendments in the above mentioned Act/ Regulations/ Guidelines and any other laws as and when applicable to the Company from time to time.

### 2. Definitions:

- a) “**Act**” means the Companies Act, 2013 and rules made thereunder, each as amended.
- 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.
- For the purpose of compliance with arm’s length principle, an effective approach is a comparison with pricing of transactions with independent parties, which may involve comparison of the terms
- i. with those of an identical or similar transaction with one or more unrelated parties; or
  - ii. with known market terms for identical or similar transactions
- c) “**Audit Committee**” means the audit committee of the board of directors of the Company.
- d) “**Board**” means the board of directors of the Company.
- e) “**Company**” means IndiaFirst Life Insurance Company Limited
- f) “**Key Managerial Personnel**” or “**KMP**” shall have the meaning as defined under the Act, the SEBI Listing Regulations, IRDAI Corporate Governance Guidelines and includes—
- 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;
- g) “**Manager**” In terms of section 2(53) of the Act, “manager” means an individual who, subject to the superintendence, control and direction of the Board of Directors, has the management of the whole, or substantially the whole, of the affairs of a company,

and includes a director or any other person occupying the position of a manager, by whatever name called, whether under a contract of service or not.

- h) **“Material Modification”** to any Related Party Transaction shall mean any change (increase or decrease in the consideration for such transaction, taken individually or together with such Related Party in the financial year) in such transaction amounting to 25% or more of the turnover of the Company. Provided further that any modification to the transactions / agreements entered into the ordinary course of business and on arm’s length basis at terms and conditions applied uniformly to all the parties (related and unrelated) shall be excluded from this definition.
- i) **“Material Related Party Transaction”** as set out in **Schedule I**.
- j) **“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 carried out in the normal course of business which the company can undertake as per Memorandum & Articles of Association, as amended from time to time and transactions which are historical practice with a pattern of frequency or common commercial practice. 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.

Ordinary course of transaction would include but limited to the following transactions; -

- i. Payment of commission
- ii. Expenses towards use of logo
- iii. Investment transactions
- iv. Directors sitting fees
- v. Banking transactions & charges
- vi. Advertisement and Publicity
- vii. Payment of Rent
- viii. Security Deposit
- ix. Premium as Policyholder
- x. Brokerage on Purchase/Sales of Equity Shares
- xi. Dividend on Equity Shares
- xii. Other Operating Expense
- xiii. Premium Income

- k) **“Relative”** a person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:

As per 2(77) of the Companies Act “relative”, with reference to any person, means anyone who is related to another, if—

- i. they are members of a Hindu Undivided Family;
- ii. they are husband and wife; or
- iii. one person is related to the other in such manner as may be prescribed;

As per Rule 4 of Companies (Specification of Definitions Details) Rules, 2014, A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely: -

- i. Father (includes stepfather)
- ii. Mother (includes the stepmother)
- iii. Son (includes the stepson)
- iv. Son's wife
- v. Daughter
- vi. Daughter's husband
- vii. Brother (includes the stepbrother)
- viii. Sister (includes the stepsister)

I) **“Related Party”** have the meaning as defined in Section 2(76) of the Act read with Rule No. 3 of Companies (Specification of Definitions Details) Rules, 2014, relevant applicable accounting standard and Clause 3A of IRDAI Corporate Governance Guidelines and Regulation 2(zb) of the SEBI Listing Regulations. each as amended “Related Party” defined under Section 2(76) of the Act as follows-

Related Party with reference to a company means -

- i. a director or his relative;
- ii. a 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;
- v. a public company in which a director or manager is a director and holds along with his relatives, more than 2% 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; or
  - (B) a subsidiary of a holding company to which it is also a subsidiary; or
  - (C) an investing company or the venturer of the company; or
  - (D) such other person as may be prescribed;

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.

Rule 3 of the Companies (Specification of definitions details) Rules, 2014, provides that director (other than an independent director) or key managerial personnel of the holding company or his relative with reference to a company shall also be deemed to be a related party.

### **Accounting Standard:**

As per relevant applicable accounting standard pertaining to Related Party Disclosures a Related Party is defined as follows -

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.

In view of the above definition, applicable accounting standard further defines the terms 'control' and 'significant influence' as follows -

### **Control means:**

- a. ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or
- b. control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or
- c. a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.

Significant Influence means participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.

As per **Clause 3A of IRDAI Corporate Governance Guidelines** defines a “related party” with reference to the definition included the Act.

As per Regulation 2(zb) of the SEBI Listing Regulations, a “related party” means a related party as defined under sub-section (76) of section 2 of the Act, 2013 or under the applicable accounting standards: Provided that: (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or (b) any person or any entity, holding equity shares: (i) of twenty per cent or more; or (ii) of ten per cent or more, with effect from April 1, 2023; in the listed entity 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; shall be deemed to be a related party. Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s).

**"Related Party Transaction"** means a transfer of resources, services or obligations between (the Company and a related party of the Company, 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, and includes transactions as defined as a “related party transaction” under the relevant provisions of the Act, the SEBI Listing Regulations, IRDAI Corporate Governance Guidelines or any other related law, regulation, accounting standard, each as amended. Provided that the following shall not be a related party transaction:

- A. The issue of specified securities on a preferential basis, subject to compliance of the requirement under the Securities and Exchange board of India (Issue of Capital and Disclosure Requirements) Regulation 2018
- B. The following corporate actions by the listed entity which are uniformly applicable/ offered to all shareholders in proportion of their shareholding i. Payment of dividend ii. Subdivision or consolidation of securities iii. issuance of securities by way of a right issue or a bonus issue and iv. Buy-back of securities
- C. Acceptance of fixed deposits by Banks/ Non-Banking finance companies at the terms uniformly applicable/ offered to all shareholders/ public, subject to disclosure of the same alongwith the disclosure of related party transaction every six months to the stock exchanges in the format specified by the board: Provided further that this definition shall not be applicable to the units issued by mutual funds which are listed on a recognized stock exchange

**Explanation:** A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract

**"Policy"** means this policy, as amended from time to time.

### **3. Objectives:**

The objective of this Policy is to set out (a) the materiality thresholds for Related Party Transactions and; (b) the manner of dealing with the transactions between the Company and its Related Parties based on the Act as may be applicable to the Company.

### **4. Approval of Related Party Transactions by Audit Committee**

- 4.1 Related party transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Audit Committee or the Board who has potential interest in any Related Party Transaction will in terms of Rule 15(2) of the Companies (Meeting of Board and its Powers) Rules, 2014 shall not be present at the meeting during the discussions on the subject matter and shall recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.
- 4.2 All the transactions which are identified as Related Party Transactions and subsequent Material Modifications to such Related Party Transactions, should be preapproved by the Audit Committee of the listed Entity before entering into such transaction. Only those members of the Audit Committee, who are independent directors, shall approve the Related Party Transaction.
- 4.3 Audit Committee shall consider the following factors while deliberating the related party transactions for its approval:
  - i. Name of party and details explaining nature of relationship;
  - ii. Duration of the contract and particulars of the contract and arrangement;
  - iii. Nature of transaction and material terms thereof including the value, if any;
  - iv. Manner of determining the pricing to ascertain whether the same is on arm's length;



- v. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- vi. Whether there any compelling business reasons / rationale for entering into such transaction; and
- vii. Whether the Related Party Transaction would affect the independence of an independent director;
- viii. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- ix. Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company;
- x. Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Executive Officer or other Related Party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board / Committee deems relevant; or
- xi. Any other information relevant or important for the Board to take a decision on the proposed transaction.

4.4 The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- i. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;
- ii. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- iii. Such omnibus approval shall specify (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 Rs.1 crore per transaction;

- iv. 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; and

- v. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

## **5. Approval of Related Party Transactions by Board of Directors**

- 5.1 In case of Related Party Transaction which is not in the ordinary course of business or not at arm's length transaction, whether or not it is a material Related Party Transaction, prior approval of the Board through a resolution passed at the meeting of the Board shall be necessary.
- 5.2 Where any director is interested in any contract or arrangement with a Related Party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

## **6. Approval of Related Party Transactions by Shareholders**

- 6.1 All Material Related Party Transactions and subsequent Material Modifications shall require prior approval of the shareholders through resolution and no Related Party shall vote on such resolutions whether the entity is a Related Party to the particular transaction or not. However, the said requirement would not be applicable in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016 subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
- 6.2 If a Related Party Transaction is not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds as prescribed under Section 188 of the Companies Act, it shall require shareholders' approval by a resolution. The Related Parties shall abstain from voting as shareholders in case of Related Party Transactions which require the approval of shareholders.
- 6.3 Prior approval of shareholders will also be required for such related party transactions as prescribed under the SEBI Listing Regulations and other applicable laws.

## **7. Related Party Transactions not approved under this policy:**

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems and shall take any such action it deems appropriate.

## **8. Disclosures:**

Every Director and Key Managerial Personnel is responsible to declare any person or entity that would be regarded as Related Party for the Company in accordance with this Policy on account of his being Director or Key Managerial Personnel of the Company.

Such declaration shall include disclosure of relative concern or interest in any company or companies or bodies corporate, firms or such other association of individuals which shall include the shareholding, directorship, membership, partnership etc.

The Company shall disclose, in the Board's report, transactions 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.

#### **9. Reporting of Related Party Transactions:**

For the purpose of this policy, reporting requirements as amended from time to time, shall be considered. Below are the reporting requirements, which will be duly complied with by the Company:

- a) A note on transactions with related parties, along with the justifications to be placed at the Audit Committee every quarter for its review, in compliance with the requirements of sections 177 and 188 of the Companies Act, 2013.
- b) Every contract or arrangement, which is required to be approved by the Board/shareholders under this Policy, to be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- c) The details of material transactions with related parties will be included in the corporate governance reports which are required to be submitted to the stock exchanges on a quarterly basis.
- d) The Company shall disclose this Policy on its website and a web link thereto shall be provided in the Annual Report of the Company.
- e) The Company shall submit within to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website.
- f) Company shall make such disclosures of related party transactions every six months within fifteen days from the date of publication of its standalone and consolidated financial results. Further, the Company shall make such disclosures as prescribed under the SEBI Listing Regulations and other applicable laws.
- g) Disclosure of related parties and transaction with related parties as per applicable accounting standards in the notes to account forming part of Financials of the Company

#### **10. Review of the Policy:**

The Policy will be reviewed and/ or revised at least once in a year or as and when required by Law, whichever is earlier. The revised policy will be placed to Board of Directors for final approval.

#### **11. Amendments**

Any change in the Policy shall be approved by the Board of the Company. The Board shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. The Policy shall be reviewed by the Board at least once every three years and updated accordingly. Any subsequent amendment / modification in the Act or the SEBI Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.

#### **12. Communication of this Policy**

This Policy shall be posted on the website of the Company at [www.indiafirstlife.com](http://www.indiafirstlife.com).

### 13. Appendix:

Sr. No.	Abbreviation	Full Form
1	AS	Accounting Standard
2	CEO	Chief Executive Officer
3	HUF	Hindu Undivided Family
4	IRDAI	Insurance Regulatory and Development Authority
5	KMP	Key Managerial Personnel
6	RBI	Reserve Bank of India
7	RPT	Related Party Transactions

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## SCHEDULE I

### MATERIAL RELATED PARTY TRANSACTION

S. No.	Specified Related Party Transaction(s) u/s 188(1) of the Companies Act, 2013	
	Approval of the Board	Materiality Threshold
a)	sale, purchase or supply of any goods or materials	Exceeding [10]% of the annual turnover of the Company or Rs. [1000] crore, <i>whichever is lower.</i>
b)	selling or otherwise disposing of, or buying, property of any kind	Exceeding [10]% of the annual turnover of the Company, [10%] of the net worth of the Company or Rs. [1000] crore, <i>whichever is lower.</i>
c)	leasing of property of any kind	Exceeding [10]% of the annual turnover of the Company or Rs. [1000] crore, <i>whichever is lower.</i>
d)	availing or rendering of any services	Exceeding [10]% of the annual turnover of the Company or Rs. [1000] crore, <i>whichever is lower.</i>
e)	appointment of any agent for purchase or sale of goods, materials, services	Exceeding [10]% of the annual turnover of the Company or Rs. [1000] crore, <i>whichever is lower.</i>
f)	appointment of any agent for selling or otherwise disposing of, or buying, property of any kind	Exceeding [10]% of the annual turnover of the Company, [10%] of the net worth of the Company or Rs. [1000] crore, <i>whichever is lower.</i>
g)	such Related Party's appointment to any office or place of profit in the Company	Exceeding [10]% of the annual turnover of the Company or Rs. [1000] crore, or a monthly remuneration exceeding Rs. [12.5 lakhs], <i>whichever is lower.</i>
h)	underwriting the subscription of any securities or derivatives thereof, of the Company	Exceeding [10]% of the annual turnover of the Company, or Rs. [1000] crore, <i>whichever is lower.</i>

#### **Explanation(s):**

Limits specified in clauses a) to e) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a Financial Year.

Annual turnover shall be computed on the basis of the audited Financial Statement of the preceding Financial Year.

Notwithstanding the above materiality threshold, 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 individually or taken together with previous transactions during a financial year, exceed five percent of the annual turnover of the Company as per the last audited financial statements of the Company.