



General Insurance Corporation of India

Related Party Transaction Policy – 2019 (Ver 2.0)

1. PREAMBLE

The Companies Act, 2013 and the rules made thereunder (the “**Act**”), have introduced Section 177 (4) (iv), 184 and 188 which contains provisions regarding related party transaction. Further, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “**Listing Regulations**”), including amendments upto SEBI (LODR) (Sixth Amendment) Regulations, 2018 sets out certain requirements in relation to Related Party Transactions including formulating a policy on dealing with Related Party Transactions.

The above said policy is also mandated by Corporate Governance Guidelines 2016 issued on May 18, 2016 (the “**Guidelines**”) by Insurance Regulatory and development Authority of India (“**IRDAI**”) and Accounting Standard 18 which deals with the Related Party Transaction.

As per the Listing Regulations, a listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

Accordingly, the board of directors (the “**Board**”) of General Insurance Corporation of India (the “**Company**”) has adopted the following policy with regard to related party transactions.

2. OBJECTIVES

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws, regulations and Accounting Standards as may be amended from time to time.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Corporation and its shareholders and to comply with the statutory provisions in this regard.

3. DEFINITIONS

“**Arm’s length basis**” as per Section 188(B) of the Act, means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

A transaction with a related party will be considered to be on arm's length basis if the key terms, including pricing of the transaction, taken as a whole, are comparable with those of similar transactions if they would have been undertaken with unrelated parties.

It may be noted that this policy framework, including the definitions above, is meant solely for the purposes of compliance with related party transaction requirements under Companies Act, 2013 and the Listing Regulations. The above terms may have different connotations for other purposes like disclosures in the financial statements, which are governed by applicable regulations, accounting standards, regulatory guidelines etc.

“Associate company” as per Section 2(6) of the Act, 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.

“Audit committee” means a committee of directors constituted in terms of Section 177 of the Act read with rule 6 of the Companies (Meetings of Board and its Powers) Rule, 2014.

“Joint venture” means a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

“Key Managerial Personnel” means a key managerial personnel as defined under Section 2(51) of the Act.

“Key Persons” means key persons as defined under the Guidelines.

“Material Related Party Transaction” as per Regulation 23 of the Listing Regulations, means a transaction with a related party if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceed ten percent of the annual consolidated turnover as per the last audited financial statements of the Company. This includes any transaction pursuant to the provisions of Companies Act, 2013 read with relevant rules thereunder.

“Ordinary Course of Business” includes but not limited to a term for activities that are necessary, normal, and incidental to the business. These are common practices and customs of commercial transactions. The ordinary course of business covers the usual transactions, customs and practices related to the business.

The following factors are indicative of a transaction being in the ordinary course of business:

- i. The transaction is normal or otherwise unremarkable for the business.
- ii. The transaction is frequent/regular
- iii. The transaction is a source of income for the business
- iv. Transactions that are part of the standard industry practice, even though the Company may not have done it in the past.

The Company will have to assess each transaction considering its specific nature and circumstances. Some examples for Ordinary course of business are:

- i. Reinsurance Service
- ii. Payout to intermediaries
- iii. Expenses towards infrastructure sharing
- iv. Investment transaction
- v. Banking Transaction

“Relative” means a relative as defined under Section 2(77) of the Act and relevant rules thereunder.

“Related Party Transactions” as per the Listing Regulations means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged, and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract. This includes any transaction pursuant to the provisions of Section 188(1) of Companies Act, 2013 read with relevant rules thereunder.

“Related Party” as per section 2(76) of Companies Act 2013 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 a director;
- v. A public company in which a director or manager is a director and holds along with his relative, more than two percent 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;
- viii. Any company which is a holding, subsidiary or an associate company of such company or a subsidiary of a holding company to which it is also a subsidiary;
- ix. A director (other than an independent director) or key managerial personnel of the holding company or his relative with reference to a company (as per Companies (Meeting of Board and its Powers) Rules 2014).

Further as per the Listing Regulations, any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall also be deemed to be a related party.

“Significant influence” means control of at least twenty per cent of total share capital, or of business decisions under an agreement.

“Subsidiary company” or **“Subsidiary”** as per Section 2(87) of the Act, in relation to any other company (i.e., the holding company) means a company in which the holding company:

- i. Controls the composition of board of directors; or
- ii. Exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies.

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation — For the purposes of this definition:

- i. a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company
- ii. the composition of a company’s Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- iii. the expression “company” includes any body corporate;
- iv. “layer” in relation to a holding company means its subsidiary or subsidiaries.

4. APPROVAL/REVIEW OF RELATED PARTY TRANSACTIONS

All Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation or through electronic mode; provided, however, transactions entered into (a) between two government Companies and (b) between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

All entities falling under the definition of related parties shall not vote to approve any related party transaction irrespective of whether the entity is a party to the particular transaction or not.

a) Approval by the Audit committee for the proposed transaction

While considering any transaction, the committee shall take into account all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

Prior to the approval, the Committee shall, inter-alia, consider the following factors to the extent relevant to the transaction.

1. Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business, and on an arm's length basis.
2. The business reason for the Corporation to enter into the Related Party Transaction and the nature of alternative transaction
3. Whether the Related Party Transaction includes any potential reputational risks that may arise as result of or in connection with the proposed transaction.
4. Whether the Related Party would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Corporation.

The Audit Committee may grant omnibus approval for related party transactions which are repetitive in nature and subject to certain criteria/conditions as required under Regulation 23 and Companies Rules, 2014 and such other conditions as it may consider necessary in line with this policy and in the interest of the Company. Such omnibus approval shall be valid for one financial year.

In connection with any review of a related party transaction, the Committee has authority to modify or waive any procedural requirements of this policy, subject to applicable law.

A related party transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Committee, will be placed before the Committee for ratification.

b) Approval by the Board

In case the related party transaction is not in ordinary course of business or not at arm's length, the transaction shall require approval of the Board of Directors.

If the Committee determines that Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the related party transaction, then Board shall consider and approve the Related Party Transaction at the meeting.

c) Approval by Shareholders

A related party transaction which is not in the ordinary course of business, or not at arm's length price and exceed materiality threshold prescribed under Material Related Party Transaction, shall be required to be approved by shareholders.

d) Related Party Transaction not Previously Approved

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 Committee or Board or the Shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

5. REPORTING OF RELATED PARTY TRANSACTIONS

Every contract or arrangement, which is required to be approved by the Board/Shareholders under this Policy, shall be referred to in the Board's report, financial statement and website, along with the justification for entering into such contract or arrangement.

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 quarterly basis.

The disclosures of related party transactions on a consolidated basis shall be submitted to the stock exchanges and shall also be published on the website of the Corporation, within 30 days from the date of publication of its standalone and consolidated financial results for the half year.

6. AMENDMENT

Any change in the Policy shall be approved by the Board of Directors of the Company. The Board of Directors 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. Any subsequent amendment/modification in the Act or the Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy. Any amendment to this policy will be in writing.

7. COMMUNICATION OF THIS POLICY

This Policy shall be posted on the website of the Company <https://www.gicofindia.com>.