



General Insurance Corporation of India

Related Party Transaction Policy – 2021 (Ver 3.0)

1. PREAMBLE

The Companies Act, 2013 and the rules made there under (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.

The Corporation being governed by the Companies Act, Listing Regulations and the IRDAI CG Guidelines has to formulate a related party transaction policy within the framework of these regulatory provisions. The policy shall include clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors on a yearly basis.

Accordingly, the board of directors (the “**Board**”) of General Insurance Corporation of India (the “**Company**”) as per the recommendations of the Audit Committee 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, IRDAI CG Guidelines 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) Rules, 2014.

“Government Company” in accordance with Section 2(45) of the Companies Act, 2013 read with related rules issued thereon, Government Company means any company in which not less than fifty-one percent of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company.

“Joint venture” as per IAS - 31, means a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. Further, as per the explanation to Associate Company under Companies Act 2013, it means joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

“Key Managerial Personnel” means a key managerial personnel as defined under Section 2(51) of the Act and includes Key Management Persons as defined under the IRDAI CG Guidelines.

“Material Related Party Transaction”

- (I) In accordance with Regulation 23 of the Listing Regulations Material Related Party Transaction 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 there under.

Note: if the transaction involves payment made with respect to brand usage or royalty it should not exceed five percent.*

(II) In accordance with Section 188 of the Companies Act, 2013 read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 (including any statutory modification, amendment thereof as may be issued from time to time) Material Related Party Transaction means a transaction which are not on Arm's Length Basis and / or are not in the Ordinary Course of Business and exceed limits prescribed for the specific transactions as mentioned below:

Transactions covered	Transaction Value
a) sale, purchase or supply of any goods or materials	10% or more of the turnover of the Company
b) selling or otherwise disposing of, or buying, property of any kind	10% or more of net worth of the Company
c) leasing of property of any kind	10% or more of the turnover of the Company
d) availing or rendering of any services	10% or more of the turnover of the Company
e) appointment of any agent for purchase or sale of goods, materials, services or property	As per limit prescribed in clause a), b) and d), in case resulted into appointment of agent
(f) such Related Party's appointment to any office or place of profit in the company, its subsidiary company or associate company	At a monthly remuneration exceeding Rs. 2.50 lakhs
g) underwriting the subscription of any securities or derivatives thereof, of the company	Exceeding 1% of the net worth

Explanation(s):

- Limits specified in sub-clauses a) to d) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.
- Turnover or net worth shall be computed on the basis of the Audited Financial Statement of the preceding Financial Year.

“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:

- The transaction is normal or otherwise unremarkable for the business.
- 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. Pay out 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 there under.

“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 Body Corporate 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 or an investing company or the venturer 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. 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.

“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 there under.

“**Significant influence**” as per the explanation to Associate Company under Companies Act 2013, it means control of at least twenty per cent of total voting power, or control of or participation in 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 voting power 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

- (i) 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 (as per proviso to Sec 177 (4) (iv) proviso), transaction other than a transaction referred to in section 188 of the Companies Act, 2013, between a holding company and its wholly owned subsidiary company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval, shall be exempt for approval of the Audit Committee.

- (ii) Pursuant to proviso of Section 177(4)(iv) of the Companies Act, 2013 transaction, other than transactions referred to in section 188 of the Companies Act, 2013, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board.
- (iii) 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.

Note: *transactions which are not in the ordinary course of business or which are not on arm’s length basis shall be approved by the Audit Committee in a meeting as per the Secretarial Standard SS-1.

a) Approval by the Audit committee for the proposed transaction

- (i) 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.
- (ii) 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.
- (iii) 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 the Rule 6A of the Companies (Meeting of Board & its Powers) Rules, 2014 and such other conditions as it may consider necessary in line with this policy and in the interest of the Company.
- (iv) Provided that where the need for related party transaction cannot be foreseen and details under Regulation 23 and Rule 6 A of the Companies (Meeting of Board & its Powers) Rules, 2014 or are not available, audit committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.
- (v) The 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 approvals given. Such omnibus approval shall be valid for one financial year.
- (vi) 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.
- (vii) 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

- (i) Pursuant to Section 188 of the Companies Act, 2013, 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.
- (ii) If the Audit Committee determines that Related Party Transaction should be bought 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.
- (iii) The policy shall be reviewed by the board of directors on a yearly basis and shall be updated accordingly

c) Approval by Shareholders

- (i) A related party transaction which is not in the ordinary course of business, and/or not at arm's length price and exceed materiality threshold prescribed under Section 188 of the Companies Act, 2013 read with the Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 shall be required to be approved by shareholders;
- (ii) A related party transaction which exceed materiality threshold prescribed under Regulation 23 of the Listing Regulations shall be required to be approved by shareholders
- (iii) The following transactions are exempted from Shareholder's approval under Section 188 of the Companies Act, 2013:
 - (a) between two government Companies;
 - (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.
- (iv) In case of wholly owned subsidiary, the resolution is passed by the holding company shall be sufficient for the purpose of entering into the transaction between the wholly owned subsidiary and the holding company.
- (v) No related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

d) Summary of the approval mechanism under the LODR Regulations and the Companies Act, 2013:

Details of Transaction(s)	Approving Authority
All Related Party Transactions and any subsequent modification (except transaction* between Holding & Wholly Owned Subsidiary)	<ul style="list-style-type: none"> • Audit Committee.
RPTs at 4. b) (i) above which are not in ordinary course of business or not on arm's length basis or both (less than threshold limits)	<ul style="list-style-type: none"> • Approval and recommendation by Audit Committee to the Board. • Approval by the Board.
RPTs at 4. c) (i) above which are in not in ordinary course of business or not on arm's length basis or both (beyond threshold limits)	<ul style="list-style-type: none"> • Approval and recommendation by Audit Committee to the Board. • Approval and recommendation by the Board to Shareholders. • Approval by the Shareholders**
Material RPTs at 4. c) (ii) above	<ul style="list-style-type: none"> • Approval by the Shareholders**

** other than transaction under Section 188 of the Companies Act 2013*
***not required if transaction between (a) two government companies or (b) Holding & its Wholly Owned Subsidiary.*

e) Related Party Transaction not Previously Approved

- (i) Where any contract or arrangement, which is considered as a Related Party Transaction exclusively as per Companies Act, 2013, is entered into by a director or any other employee, without obtaining the consent of the Board or the shareholders of the Company, as the case may be, such transaction shall be ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into.
- (ii) In case such transaction is not ratified within the specified period, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.
- (iii) In case any transaction involving any amount not exceeding one crore rupees is entered into by a director or officer of the company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the company against any loss incurred by it.

- (iv) In the event of inadvertent omission to seek the approval of the Related Party Transaction in accordance with the Policy, the matter shall be reviewed by the Audit Committee.

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>.