



HDFC LIFE INSURANCE COMPANY LIMITED

**Related Party Transactions Policy
Version 6.0**

Owner Department: Finance

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Version History

| SR. NO. | TYPE | VERSION | VERSION DATE | REMARKS |
|---------|-----------------------------------|-------------|------------------|---|
| 1 | Related Party Transactions Policy | Version 1.0 | July 16, 2016 | Adopted as per IRDAI Corporate Governance Guidelines |
| 2 | Related Party Transactions Policy | Version 2.0 | August 16, 2017 | Modified as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the IRDAI Corporate Governance Guidelines |
| 3 | Related Party Transactions Policy | Version 3.0 | January 22, 2019 | Modified as per SEBI notification dated May 9, 2018 with respect to SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 |
| 4 | Related Party Transactions Policy | Version 4.0 | January 23, 2020 | Modified as per Companies (Meetings of Board and its Powers) Amendment Rules, 2017 dated 30 th March, 2017 and Companies (Meetings of Board and its Powers) Second Amendment Rules, 2019 dated 18 th November, 2019 read with SEBI (Listing Obligations and Disclosure Requirements)(Third Amendment) Regulations, 2019 |
| 5 | Related Party Transactions Policy | Version 5.0 | March 15, 2022 | Modified as per SEBI notification dated 9 th November, 2021 with respect to the SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021 |

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| 6 | Related Party Transactions Policy | Version 6.0 | March 30, 2023 | Modified as per SEBI notification dated 9 th November, 2021 with respect to the SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021 |
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1. Purpose

HDFC Life Insurance Company Limited (“**HDFC Life**” or “**Company**”) is governed, amongst others, by the Companies Act, 2013 and the Rules made thereunder (the “**Act**”), the rules, regulations and guidelines framed by the Insurance Regulatory and Development Authority of India (the “**IRDAI**”), and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time (the “**Listing Regulations**”). The requirement for HDFC Life to formulate a Policy on Related Party Transactions arises from the Act, the Corporate Governance Guidelines for Insurers in India, issued by the IRDAI (the “**IRDAI CG Guidelines**”) and the Listing Regulations as amended or re-enacted from time to time.

Accordingly, the Company has formulated this Policy which intends to ensure proper approval and reporting of the concerned transactions by the Company and its subsidiaries with their Related Parties. Pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021 dated November 9, 2021, this Policy has been amended by the Board of Directors of the Company at its meeting held on March 30, 2023, 2023.

2. Effective Date

This Policy will be effective from April 1, 2023.

3. Definitions

All words and expressions used herein, unless defined herein, shall have the same meaning as assigned to them in the Applicable Law under reference.

“**Applicable Law**” includes (a) the Act; (b) the Listing Regulations, as amended from time to time; (c) Accounting Standards as per Indian GAAP; (d) the IRDAI CG Guidelines; and (e) any other statute, law, standards, regulations or other governmental circulars, notifications or instructions (including circulars, notifications and guidance issued by the Securities and Exchange Board of India and IRDAI from time to time) relating to Related Party Transactions as may be applicable to the Company.

“**Act**” shall mean the Companies Act, 2013 and rules and regulations framed thereunder and includes any amendment thereof from time to time;

“**Related Party**” means, a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards; provided that any person /entity:
(i) forming part of Promoter or Promoter group of the Company OR
(ii) holding equity shares of at least 10% in the Company either directly OR on a beneficial interest under Section 89 of Companies Act, 2013, at any time during the immediate preceding financial year, shall be deemed to be a related party.

“Promoter/Promoter Group” shall have the meaning ascribed to such term under Applicable Law. The list of Promoter Group Companies shall be provided by our Promoters, and the Company shall rely upon such list from time to time, additionally the Company will also evaluate any changes, if any, in the Promoter Group at regular intervals.

“Related Party Transaction” means, a transaction involving a transfer of resources, services or obligations between the Company or any of its subsidiaries on one hand and

- (i) a related party of the Company or any of its subsidiaries on the other hand OR
- (ii) any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries;

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, subject to applicable exclusions under Applicable Law;

“Arm’s length basis” 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.

Explanation: Any insurance cover given by the insurance company to the group companies and price/premium quoted by the companies under F&U guidelines would be considered on an arm’s length basis.

“Audit Committee” means the Audit Committee of the Board of Directors of the Company.

“Material Related Party Transaction” as per Regulation 23 of the Listing Regulations means a transaction, whether to be entered individually or taken together with previous transactions during a financial year, which exceeds rupees one thousand crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements whichever is lower.

Notwithstanding the above, 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 as per the last audited financial statements of the Company;

“Material Modifications” shall mean a 10% or more increase in the original value/consideration of any Related Party Transaction which was approved by the Audit Committee/ Shareholders of the Company, as the case may be.

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 the Act and Regulation 23 of 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.

4. Terms of the Policy:

All prospective Related Party Transactions shall be subject to following approval matrix, as may be applicable:

| Particulars of the Related Party Transaction | Amount | Approval Required | | |
|---|--|---|-----------------------------------|---|
| | | Audit Committee of the Company | Board of Directors of the Company | Shareholders of the Company (Ordinary Resolution) |
| RELATED PARTY TRANSACTIONS TO WHICH THE COMPANY IS A PARTY [See Notes 1 and 2 below] | | | | |
| Transactions in the ordinary course of business and on arm's length basis | | | | |
| Related Party Transactions (entered into individually or together with previous transactions during a financial year) and subsequent Material Modifications | exceeding INR 1,000 crores (Indian Rupees One Thousand Crore) | √ (Only Independent Directors can approve) | √ | √ (All related parties to abstain from voting) |
| | OR exceeding 10% of the annual consolidated turnover of the Company, whichever is lower | | | |
| | Transactions below the thresholds specified above | √ (Only Independent Directors can approve) | - | - |
| Related Party Transactions for payment of brand usage or royalty: | up to 2% of the annual Consolidated turnover of the Company | √ (Only Independent Directors can approve) | - | - |
| | In excess above limits | √ (Only Independent Directors can approve) | √ | √ (All related parties to abstain from voting) |

RELATED PARTY TRANSACTIONS TO WHICH THE SUBSIDIARY OF THE COMPANY IS A PARTY AND THE COMPANY IS NOT A PARTY [See Notes 1 and 3 below]

| | | | | |
|--|--|----------|----------|---|
| <p>Related Party Transactions (entered into individually or taken together with previous transactions during a financial year) and subsequent Material Modifications</p> | <p>exceeding 10% of the annual standalone turnover of the subsidiary</p> | <p>√</p> | <p>√</p> | <p>√ (All related parties to abstain from voting)</p> |
|--|--|----------|----------|---|

Note 1:

- (a) The above approval matrix is subject to any applicable exceptions allowed under the Listing Regulations, the Act and/or other Applicable Law.
- (b) The turnover or net worth (as applicable) of the Company is to be calculated as per the last audited financial statements of the Company.
- (c) In case of shareholder resolution to approve a material Related Party Transaction, no Related Party shall vote to approve such resolution whether the entity is a related party to the particular transaction or not.

Note 2:

- (a) Any transaction with related parties under Section 188 of the Act which is not on arms' length or not in ordinary course of business, irrespective of the specified materiality threshold, will require an approval from the Board of Directors of the Company.
- (b) Any transaction with related parties under Section 188 of the Act which is not on arms' length or not in ordinary course of business and which is above the threshold specified therein, will require an approval of the shareholders of the Company.
- (c) Any subsequent modification of transactions of the Company with a related party will require the approval of the Audit Committee notwithstanding that such modification is a Material Modification.

Note 3:

For Related Party Transactions of unlisted subsidiaries of the Company, the prior approval of the audit committee and/or shareholders (as required) of the Company shall suffice.

5. Identification of Related Parties and Related Party Transactions

The Compliance Officer shall:

- i. Identify and keep on record the Company's Related Parties (as per Applicable Law), along with their personal/company details.
- ii. List of Related Parties including the Promoter Group companies is defined and provided to the Company by our Promoters which is relied upon for identification of related parties of the Company whenever necessary, which shall be reviewed at least once a quarter.
- iii. Furnish on a regular basis to the concerned departments at the Corporate Office, who are responsible for entering into contracts/ arrangements/ agreements/ transactions with entities for and on behalf of the Company, the list of Related Parties (updated from time to time) of the Company along with the approval thresholds for entering into transactions with such enlisted Related Parties.
- iv. Obtain the updated list of related parties from the subsidiaries of the Company on a quarterly basis. Thereafter, the updated consolidated list of related parties of the Company and the subsidiaries of the Company will be prepared and circulated to the relevant departments of the Company and subsidiaries of the Company on a quarterly basis. The subsidiaries of the Company will provide to the Company [from time to time] information regarding the transactions proposed to be entered into with the relevant related party included in the consolidated list, including information on any proposed material Related Party Transactions above the thresholds specified in this Policy, for purposes of obtaining necessary approvals from the Company.
- v. Ensure that in case of directors, the disclosures for related parties will be obtained on a regular basis;

6. Ascertaining whether Related Party Transactions are in the Ordinary Course of Business

- i. Although the term "Arm's Length Basis" has been defined under Section 188 of the Act, what transactions would be considered to be in the "ordinary course of business" has not been specified under the Act. For the purposes of this Policy, the term "ordinary course of business" would include the transactions in the ordinary course of insurance business and such other transactions entered into by HDFC Life which are connected with the objects of the Company as mentioned in the Memorandum of Association of the Company, and would include but not limited to the following transactions:
 - (1) Underwriting of Insurance Contracts/Policies, either Individual or Group;
 - (2) Renewal of Insurance contracts/policies;
 - (3) Ceding of re-insurance;
 - (4) Payout of maturity value, surrender value or claim

- pursuant to an underwritten insurance contract;
 - (5) Grant of loan against an underwritten insurance contract;
 - (6) Transactions entered into pursuant to any agreement for distribution of insurance products of HDFC Life, by whatever name called;
 - (7) Transactions which are part of standard industry practice, even though the company may not have done it in the past;
 - (8) Distribution payout;
 - (9) Expenses towards infrastructure sharing;
 - (10) Any other transaction which is entered into by HDFC Life in order to comply with any rules, regulations, guidelines, and/or directions issued by the IRDAI and any other regulatory authority, to the extent applicable or required.
- ii. Based on judicial precedents, the following principles may also be relied upon in determining whether a transaction is in the “ordinary course of business”:
 - (a) A habit system and continuity is required to satisfy the test of regular or ordinary course of business.
 - (b) Even when furnishing a security may be one of normal business practices, it would become a part of ‘ordinary course of business’ of a particular corporate entity only if it falls in place as part of ‘the undistinguished common flow of business done’; and is not arising out of ‘any special or particular situation’.
 - (c) It must be found as to whether the particular act has any connection with the normal business that the company is carrying on and whether it is so related to the business of the company that it can be considered to be performed in the ordinary course of the business of that company.

Therefore, in order to determine whether a transaction is within the ordinary course of business or not, some of the principles that may be adopted to assess are as follows:

- (a) whether the transaction is in line with the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities;
- (b) whether the transaction is required to be undertaken in order to conduct the routine or usual transactions of the Company;
- (c) Any of the following conditions are met:
 - (1) the transaction, including, but not limited to sale or purchase of goods or property, or acquiring or providing of services, conveying or accepting leases, transfer of any resources, hiring of any executives or other staff, providing or availing of any guarantees or collaterals, or receiving or providing any financial assistance, or issue, transfer, acquisition of any securities, is in the normal routine of the Company’s business; or

- (2) the transaction is in the nature of reimbursements, received or provided, from or to any related party, whether with or without any mark-up towards overheads, and is considered to be congenial for collective procurement or use of any facilities, resources, assets or services and subsequent allocation of the costs or revenues thereof to such related party in an appropriate manner;

(d) The transaction is not:

- (1) an exceptional or extra ordinary activity as per applicable accounting standards or financial reporting requirements; or
- (2) any sale or disposal of any undertaking of the Company, as defined in explanation to clause (a) of sub-section (1) of section 180 of the Act.

- iii. The Company may also consider whether the transaction contemplated under the proposed contract or arrangement is either similar to contracts or arrangements which have been undertaken in the past, or in the event that such transaction is being undertaken for the first time, whether the Company intends to carry out similar transactions in the future.
- iv. Further, whether the transaction value is within the reasonable range for similar types of other transactions, will also be an important consideration.

7. Ascertaining whether Related Party Transactions are on an Arm's Length Basis

- i. The following illustrative tests may be used for ascertaining arm's length nature of contracts / arrangements that may be entered into by the Company with related parties, or any modification, variation, extension or termination thereof:
 - (a) The contracts/ arrangements are entered into with Related Parties, are at such prices/ discounts/ premiums and on such terms which are offered to unrelated parties of similar category/ profile.
 - (b) The contracts/ arrangements have been commercially negotiated.
 - (c) Any contracts entered under the IRDAI regulations to provide/avail services to/from the related parties for insurance products duly approved under the regulation.
 - (d) The terms of contract/arrangement other than pricing are generally on a basis similar to those as may be applicable for similar category of goods and services or similar category/ profile of counterparties.
 - (e) The existence of relationship between parties to the transaction have not materially affected the transaction and its critical terms governing the transaction.

(f) Such other criteria as may be prescribed under Applicable Law.

Explanation: Any insurance cover given by the insurance company to the group companies and price/ premium quoted by the companies under the File & Use Guidelines, 2016, and any amendment thereof, would be considered on an arm's length basis.

- ii. Further, in order to determine the optimum arm's length price, the Company may also apply the most appropriate method from any of the following methods as prescribed under Section 92C(1) of the Income Tax Act, 1961 read with Rule 10B of the Income Tax Rules, 1962 –
 - (a) Comparable Uncontrolled Price method (CUP method)
 - (b) Resale Price method
 - (c) Cost Plus method
 - (d) Profit Split method
 - (e) Transactional Net Margin method
 - (f) Other method as prescribed by the Central Board of Direct Taxes
- iii. The Audit Committee shall be entitled to rely on professional opinion or representation from the counter party in this regard.
- iv. Notwithstanding the above, whether a particular transaction is on arm's length basis or not, is a decision to be taken by the Board of Directors and the Audit Committee. Once the Board of Directors on the recommendation of Audit Committee, determines that the relevant transaction has taken place on an arm's length basis, so long as it has a reasonable basis for the same, its decision shall be final.

8. Procedure for approval and review of Related Party Transactions and Material Modifications

- (i) Subject to the threshold limits specified below and the approval matrix in Paragraph 4 above, all related party transactions and subsequent modifications require the prior approval of the Audit Committee in accordance with this Policy and Applicable Laws.

The threshold limits for omnibus approvals will be as follows:

- (i) The transactions, for which omnibus approval of the Audit Committee has already been sought, will not require prior approval of the Audit Committee for each transaction (save and except in case of a Material Modification) entered into pursuant to the same during the validity of such omnibus approval i.e., for one year.
- (ii) Related Party Transactions that are not in ordinary course of business but on arm's length basis may be approved by the Audit Committee. Where such Related Party Transactions fall under Section 188 (1) of the Act, the Audit Committee shall recommend the transaction for approval of the Board.

- (iv) Related Party Transactions that are not on arm's length basis, irrespective of whether those are covered under Section 188 of the Act or not, may be placed by the Audit Committee, along with its recommendations, to the Board for appropriate action.
- (v) All relevant facts pertaining to a Related Party Transaction shall be placed with the Audit Committee, including:
 - (a) the name of the related party and nature of relationship with the Company or its subsidiary including nature of its concern or interest (financial or otherwise);
 - (b) the nature, tenure, value and material terms of the proposed Related Party Transaction; and
 - (c) any other information prescribed under Applicable Law from time to time or otherwise relevant or important for the Audit Committee to take a decision on the proposed Related Party Transaction.
- (vi) The Audit Committee shall be entitled to call for such information/ documents in order to understand the scope of the proposed Related Party Transaction(s) and recommend an effective control system for the verification of the supporting documents.
- (vi) In determining whether approval can be accorded to a Related Party Transaction, the Audit Committee shall consider the following and any other relevant factors as prescribed under Applicable Laws from time to time:
 - (i) whether the Related Party Transaction is in the ordinary course of business of the Company;
 - (ii) whether the terms of the Related Party Transaction is on arm's length basis;
 - (iii) whether there are any adequate reasons of business expediency for the Company to enter into the Related Party Transaction, after comparing alternatives available, if any;
 - (iv) whether the Related Party Transaction would affect the independence of any director / key managerial personnel;
 - (v) whether the proposed Related Party Transaction includes any potential reputational/ regulatory risks that may arise as a result of or in connection with the proposed transaction; and
 - (vi) 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 Related Party, the direct or indirect nature of interest of the Related Party in the transaction and such other factors as the Audit Committee deems relevant.
- (vii) If the Audit Committee determines that a Related Party Transaction should be brought before the Board of Directors, or if the Board in any case elects to review any such matter or it is mandatory under any Applicable Law or required under this Policy for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth

above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

- (ix) If the Related Party Transaction needs to be approved at a general meeting of the shareholders by way of a resolution pursuant to Applicable Laws, the Board shall ensure that the same be put up for approval by the shareholders of the Company.
- (x) In case a Related Party Transaction or subsequent modification that has been commenced without the required approval, the Audit Committee or Board or the shareholders, as appropriate, may ratify the transaction or modification if permitted under Applicable Law and/or direct actions including, but not limited to, render such Related Party Transaction voidable at the option of the Board or the shareholders (as the case may be), immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification if permitted under Applicable Law. It shall be open to the Company to proceed against a director or any other employee who had entered into such Related Party Transaction in contravention with Applicable Laws.
- (xi) The approval of the Audit Committee/ Board /shareholders of the Company where required for any Related Party Transaction shall be obtained in accordance with Applicable Law. No member of the Audit Committee/ Board shall participate in the review or approval of any Related Party Transaction in which such member is interested.
- (xi) Exceptions allowed under Applicable Laws for Related Party Transactions shall be exempted from the scope of this Policy unless the Audit Committee/ Board decide otherwise.
- (xii) Nothing in this Policy shall override any provisions of Applicable Law made in respect of any matter stated in this Policy and in case of conflict between the provisions of Applicable Law and this Policy, the provisions of Applicable Law shall prevail.
- (xiv) A certificate shall be obtained from an Independent Chartered Accountants firm on a quarterly basis stating that the Related Party Transactions entered into by the Company during the previous quarter were in accordance with this Policy.
- (xv) The Audit Committee shall review all Related Party Transactions on a quarterly basis.
- (xvi) In addition to the Audit Committee, all the Related Party Transactions shall also be reviewed by the Board of Directors of the Company annually or earlier, if necessary or required.
- (xvii) In connection with any review of a Related Party Transaction, subject to Applicable Law, the Audit Committee has the authority to modify or waive any procedural requirements of this Policy except for the requirement of obtaining prior approval.

9. Additional matters pertaining to Omnibus Approval

- i. In accordance with the Applicable Laws, the Audit Committee shall grant omnibus approval in line with this Policy and Applicable Laws and based on the following information:
 - (a) the information as specified under Paragraph 8(v) above, as applicable;
 - (b) maximum amount of transactions that can be entered into;
 - (c) the indicative base price or current contracted price and the formula for variation in the price, if any;
 - (d) the maximum transaction values; and
 - (e) such other conditions as the Audit Committee may deem fit.

- ii. Notwithstanding the generality of foregoing, the Audit Committee shall not grant omnibus approval for following transactions:
 - (a) Transactions which are not in the ordinary course of business or not on an arm's length basis and covered under Section 188(1) of the Companies Act ;
 - (b) Transactions in respect of selling or disposal of the undertaking of the Company;
 - (c) Transactions which are not in the interest of the Company;
 - (d) Such other transactions specified under Applicable Law from time to time.

10. Reporting of Related Party Transactions

As mandated under the Listing Regulations, the Company shall disclose this Policy on its website i.e. www.hdfclife.com and in the Annual Report. Disclosures and reporting regarding related party transactions will be made in accordance with and in the manner and format prescribed under the Applicable Law including under Regulation 23 of the Listing Regulations.

11. Amendment

This Policy may be amended, modified or supplemented to ensure compliance with any modification, amendment or supplementation to the Applicable Law once in three years or as may be otherwise required or necessary or prescribed by the Audit Committee/ Board from time to time. Any subsequent amendment / modification in the Listing Regulations, Act and/or other Applicable Laws in this regard shall automatically apply to this Policy.