



HDFC LIFE INSURANCE COMPANY LIMITED

Related Party Transactions Policy

Version 4.0

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 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 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

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1. Purpose:

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

Accordingly, the Company has formulated this Policy. This Policy regulates all transactions between the Company and its Related Parties (as defined below).

2. Effective Date

This Policy will be effective from the date of its approval by the Board of Directors of the Company.

3. Definitions

- a) "Act" shall mean the Companies Act, 2013 and includes any amendment thereof;
- b) "Arm's length basis" In terms of the Companies Act, the expression '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.

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.

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 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.

- c) "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 ten percent of the annual consolidated turnover of the Company. Further, 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;
- d) "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;
- e) "Related Party Transaction" means a transfer of resources, services or obligations between the Company 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;
- f) "Transactions in the 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:
- i. Underwriting of Insurance Contracts/Policies, either Individual or Group;
 - ii. Renewal of Insurance contracts/policies;
 - iii. Ceding of re-insurance;
 - iv. Payout of maturity value, surrender value or claim pursuant to an underwritten insurance contract;
 - v. Grant of loan against an underwritten insurance contract;
 - vi. Transactions entered into pursuant to any agreement for distribution of insurance products of HDFC Life, by whatever name called;
 - vii. Transactions which are part of standard industry practice, even though the company may not have done it in the past
 - viii. Distribution payout
 - ix. Expenses towards infrastructure sharing
 - x. 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.

All capitalized terms used in this Policy but not defined herein shall have the same meaning assigned to such term in the Act and the Rules there under and the Listing Regulations, as amended from time to time.

4. Terms of the Policy:

The limits specified for Related Party Transactions shall be subject to threshold as specified in the Act and Listing Regulations from time to time. All Related Party Transactions shall be subject to following approval matrix, as may be applicable:

Provisions	Ceiling on the Amount	Approval Required		
		Audit Committee	Board of Directors	Shareholders (Ordinary Resolution)
Transactions <u>in the ordinary course of business</u> and on <u>arm's length basis</u>	a. For all transactions except brand usage or royalty: Upto 10% of the annual Consolidated turnover of the Company	√	-	-
	b. For payment of brand usage or royalty: Upto 2% of the annual Consolidated turnover of the Company	√	-	-
	In excess above limits	√	√	√ <i>(All related parties to abstain from voting)</i>
Transactions either <u>not in the ordinary course of business</u> or <u>arm's length basis</u>				
Sale, purchase or supply of any goods or materials, directly or through appointment of agent		√	√	√ Amounting to 10% or more of the turnover of the company. <i>(Related Parties that are parties to the contract shall abstain from voting.)</i>

Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent.		√	√	<p style="text-align: center;">√</p> <p>Amounting to 10% or more of Net worth of the company.</p> <p><i>(Related Parties that are parties to the contract shall abstain from voting.)</i></p>
Leasing of property of any kind.		√	√	<p style="text-align: center;">√</p> <p>Amounting to 10% or more of the turnover of the company</p> <p><i>(Related Parties that are parties to the contract shall abstain from voting.)</i></p>
Availing or rendering of any services, directly or through appointment of agent		√	√	<p style="text-align: center;">√</p> <p>Amounting to 10% or more of the turnover of the company.</p> <p><i>(Related Parties that are parties to the contract shall abstain from voting.)</i></p>

Appointment of any related party to any office or place of profit in the Company, its subsidiary company or associate company		√	√	√ Monthly remuneration exceeding two and half lakh rupees <i>(Related Parties that are parties to the contract shall abstain from voting.)</i>
Underwriting the subscription of any securities or derivatives thereof, of the Company		√	√	√ Remuneration exceeding 1% of net worth <i>(Related Parties that are parties to the contract shall abstain from voting.)</i>
Any other transaction with related parties, other than those covered above, resulting in transfer of resources, obligations or services		√	√ For Transactions that are <u>not on arm's length basis.</u>	√ <u>Exceeding 10% of</u> the annual consolidated turnover of the Company. <i>(All Related Parties to abstain from voting.)</i>

5. Review and approval of Related Party Transaction(s)

A. Approval of Related Party Transactions by the Audit Committee ("Committee")

- i. All the Related Party Transactions should be pre-approved by the Audit Committee before entering into such transaction. The Committee shall consider all relevant factors while deliberating the Related Party Transactions for its approval.
- ii. Any member of the Committee who has a potential interest in any Related Party Transaction will rescue himself and abstain from discussion and voting on the approval of the Related Party Transaction.

Related Party Transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length basis, would require approval of the Board of Directors and of the Shareholders as applicable.

- iii. The Committee may grant omnibus approval for Related Party Transactions which are repetitive in nature and subject to such criteria/ conditions as mentioned under Regulation 23 of the Listing Regulations read with the requirements under the Act, 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 a period not exceeding one year, and shall require fresh approval after the expiry of one year.
- iv. The Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to an omnibus approval subject to certain criteria/conditions as required under Regulation 23 of the Listing Regulations, Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014 and such other conditions as the Committee may consider necessary in line with this policy and in the interest of the Company. In connection with any review of a Related Party Transaction, the Committee has the authority to modify or waive any procedural requirements of this Policy except for the requirement of obtaining prior approval.

B. Approval of Related Party Transactions by the Board of Directors ('Board')

Following type of Related Party Transactions shall be referred to the Board along with the justification for entering into such contract or arrangement for its approval:

- (i) Material Related Party Transaction; or
- (ii) Related Party Transaction beyond the thresholds specified in section 188 of the Act which are not in the ordinary course of business; or
- (iii) Related Party Transaction beyond the thresholds specified in section 188 of the Act which are not at an arm's length basis.

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

C. Approval of Related Party Transactions by the Shareholders

If a Related Party Transaction is (i) a Material Related Party Transaction, or (ii) not in the ordinary course of business, and/or not at arm's length basis and exceeds the thresholds

prescribed under the Act or SEBI (LODR) Regulations, 2015, as the case may be, it shall require approval of the Shareholders by way of passing a Resolution. In such a case, any member of the Company who is a Related Party shall not vote on such resolutions.

However, transactions entered into 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; do not require approval of shareholders.

D. Reporting of Related Party Transactions

The Company shall comply with all the reporting requirements under the Act, the Listing Regulations and the applicable accounting standards including but not limited to the following:

1. A note on transactions with related parties, along with the pricing justifications shall 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.
2. Disclosure of related parties and transactions with related parties as per AS 18 shall be made in the Notes to Account forming part of Financials of the Company.
3. 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 to the shareholders, to the extent required or applicable.
4. Details of material transactions with related parties, to the extent applicable shall be included in the corporate governance reports which are required to be submitted to the stock exchanges on a quarterly basis in accordance with Regulation 27 of the Listing Regulations.
5. Details of material contracts or arrangements or transactions in Form No. AOC-2 shall be filed with Registrar of Companies, to the extent required. In this regard, since materiality has not been defined for this purpose under the Act, the same threshold limits shall be used as defined under the Act for transactions requiring shareholders' approval.
6. Disclosure of Related Party Transactions on a consolidated basis for the half year to the Stock Exchange within 30 days from the date of publication of its standalone and consolidated financial results.
7. The Company shall upload this Policy on its website.
8. The Company shall also make relevant disclosures in its Annual Report and maintain such registers as required under the provisions of the Companies Act, 2013, Rules made thereunder and Listing Regulations.

6. Review

This Policy is subject to review by the Board of Directors annually or earlier, if necessary or required.

7. Limitation and Amendment

In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Regulations or statutory enactments, or 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.