



CreditAccess Life Insurance Limited ("CALI")

Related Party Transactions Policy

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1. Introduction and Purpose:

1.1 This Related party transaction policy of CALI is prepared in compliance with the Corporate Governance Guidelines for Insurers in India, 2016. As per the guidelines, the insurers need to establish adequate systems, policies and procedures to address potential conflicts of interest and comply with the Companies Act, 2013 provisions. These include Board level review of key transactions and disclosure of any conflicts of interest to manage and control such issues. This policy aims to ensure that all transactions between CALI and its related parties are identified, reviewed, approved and disclosed pursuant to the applicable laws.

2. Definitions:

Ordinary course of insurance business” means the regular transactions undertaken by the Company to conduct its business operations and activities and includes activities 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 customary, historical practice and common commercial practice.

The following are the examples of related party transactions/ which are regularly undertaken by the Company:

- Sale of Insurance policies
- Payment of Commission
- Renewal of insurance contracts or policies
- Bank charges
- Payment of dividend
- Directors Sitting Fees
- Payment of remuneration to MD/CEO/KMPs
- Investment transactions
- Grant of loan against an underwritten insurance contract
- Reimbursement of expenses
- Transactions which are part of standard industry practice, even though the company may not have done it in the past.
- Any other transaction which is entered into by the Company 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.

The definitions of Related Party, Relative, Key Managerial Personnel (KMP) and Arms - Length transaction shall bear its meaning as per Companies Act, 2013 or any statutory enactment or IRDAI regulations and relevant Accounting Standard as amended from time to time.

2. Regulatory Framework

2.1 All provisions of applicable law, including, but not limited to, the Companies Act, 2013 and rules framed thereunder, IRDAI Corporate Governance Guidelines, 2016, IRDAI (Outsourcing of Activities by Indian Insurers) Regulations 2017, and all regulations, rules, guidelines, clarifications issued by the IRDAI from time to time and Accounting Standard 18 of ICAI including any amendment or modification thereof, to the policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee while addressing related party transactions.

3. Method of Determining Arm's Length price

3.1 CALI shall use the appropriate method per the Transfer Pricing provisions under the Income Tax Act, 1961 and the relevant rules regarding the nature of the transaction or class of transactions or functions performed by associated persons to determine the Arm's length price.

3.2 Illustrative, but non-exhaustive, list of transactions usually undertaken by CALI along with the methodology for determining Arm's length price:

- a) Purchase of goods or services – competitive quotes from minimum of 2 vendors
- b) Banking transactions - comparable quotes from other banks
- c) Insurance business related transactions/Insurance cover to policyholders - the price charged should be as per product file & use of the company. In case of participation in RFP for Group policies, the participation shall be as per norms applicable for all applicants, and quotes to be negotiated in the normal course of business.
- d) Investment transactions - as per investment policy and purchase/sale as per market rates.
- e) Reimbursement of expenses to related party - third-party invoice, debit notes, comparable quotes etc.
- f) Any other transactions in the normal course of business - comparable quotes to demonstrate fair pricing.

4. Review and approval

4.1. Form MBP – 1 and such other disclosures as prescribed under Companies Act, 2013 will be the source for determining related party/ies under this Policy.

4.2 Audit Committee Approval

- a) Audit Committee prior approval is mandatory for all CALI transactions identified as related party transactions and any subsequent modifications to such a transaction.
- b) Audit Committee may grant pre-approval/omnibus approval for related party transactions proposed to be entered (applicable for frequent/regular/repetitive transactions which are in the ordinary course of business and value per transaction doesn't exceed INR 1 crore). Validity of omnibus approval shall be for a period not exceeding one financial year.
- c) Any related party transaction involving an amount not exceeding INR 1 crore, without such prior approval, can be ratified by the Audit Committee within three months of the transaction, failing which such transaction shall be void.

4.2.1 The approval of the Audit Committee shall not be required in the following instances

- a) Transaction involving remuneration, commission, sitting fee or compensation to be paid to the directors or KMPs, or any reimbursement of business or travel-related expenses, in connection with the dissemination of his/her duties towards the Company in that capacity subject to the said transactions are done after obtaining prior approval of the Nomination & Remuneration Committee and/or Board of Directors, and/or the Shareholder of the Company as per applicable provisions of the Act.
- b) Services rendered in a professional capacity by a non-executive director.
- c) Transactions which are applicable/available to all employees uniformly.

5. Board Approval

5.1 Prior approval of the CALI Board is required for entering into contracts or arrangement as specified under section 188 of the Companies Act, 2013 with a related party. Contract/Arrangement with Related Party without prior approval can be ratified by the Board within three months of such transaction, failing which such contract/arrangement shall be void.

5.2 As per sections 177 and 188 of the Act of the Companies Act, 2013, if the transaction/contract or arrangement 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. If any Director of the CALI Board has a related/conflict of interest, such Director shall recuse from that agenda item in the meeting relating to such contract/ arrangement.

5.3 CALI Board approval is not required where a related party transaction is in the ordinary course of business and is at arm's length price.

6. Shareholders' Approval

6.1 Shareholders' approval shall be obtained where any related party transaction is classified as a material contract, exceeding the threshold set under Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 and other relevant provisions as amended from time to time. For the purpose of this rule, transactions individually or taken together with the previous transactions during a financial year are to be considered for determining the materiality.

6.2 Such Shareholders' approval shall be by way of an ordinary resolution. The explanatory statement to notice for the general meeting regarding such material transaction shall have all the required particulars of the transaction.

6.3 If the transaction/contract or arrangement is with the related party to any shareholder, such interested shareholder shall not vote in any resolution with respect to such contract.

6.4 If any material related party transaction as defined above is undertaken without prior approval of the shareholders, such transaction shall be ratified by the shareholders by way of ordinary resolution within three months of the transaction, failing which such contract/arrangement shall be void.

7. Outsourcing activities to related parties/group companies

7.1 CALI shall ensure that pricing for outsourcing arrangements with related parties or group entities is consistent with accepted arms' length principles and that necessary documents are in place concerning the basis used to determine arm's length distance while arriving at the pricing of activities. All outsourcing activities shall be subject to specific approval of the Outsourcing Committee of the Company and duly approved by the Audit committee shall be placed before the Board for approval.

7.2 All activities outsourced to related parties or group entities shall be reported to IRDAI within 30 days of the date of the outsourcing agreement. Payments made in respect of outsourced activities shall be notified separately to IRDAI in accordance with the provisions of the IRDAI (outsourcing of activities by Indian Insurers) Regulations, 2017.

7.3 In case any of the outsourcing service providers becomes a related party or a group entity of either the Company or insurance intermediaries, CALI shall report the fact to IRDAI within 30 days of such an event.

8. Taxation

8.1 CALI shall be compliant with the requirements under tax laws related to transactions with related parties, specifically,

- a) Transactions with related parties shall be tested for arm's length price as per Income Tax Act,

1961

- b) Documentation will be maintained as required under Section 92D read with Rule 10D and other applicable provisions as per Income Tax Act, 1961
- c) Transactions with related parties would be compliant with the valuation principles as per applicable provisions under CGST Act, 2017

9. Review and Amendments

9.1 The policy shall be reviewed by the CALI Board annually and amended at any time as it may deem fit and subject to any amendments to the provisions of all applicable laws.

9.2 In case of any conflict between this policy and the applicable law requirements, the law's provisions shall prevail and be binding on CALI. The policy, if updated after any amendment, shall be void if not reviewed by Board or any competent authority within a period of 3 months

9.3 Periodical modifications/amendments to the outsourcing policy shall be carried out in tune with the IRDAI Regulations on Outsourcing as amended from to time and such revised policy shall be placed before the Board for approval after due process.

10. Disclosures and Documentation

10.1 Appropriate disclosures as and when required under the provisions of applicable law and rules framed thereunder, Accounting Standard 18 of ICAI, shall be made.

10.2 CALI shall maintain adequate documentation as prescribed under the Companies Act, the Corporate Governance Guidelines, the IRDAI outsourcing regulations 2017, the IRDAI (Minimum Information required for Investigation and Inspection) Regulations, 2020 and any other applicable laws and regulations.

11. Policy Ownership

11.1 This Policy shall be owned by Finance and Compliance departments, which are responsible for implementing and ensuring compliance with this Policy. Any deviation from this Policy shall be reported to the Board via Audit Committee of CALI.