

ICICI LOMBARD GENERAL INSURANCE COMPANY LIMITED

Policy on Related Party Transactions

ICICI Lombard (the Company) has been maintaining arms' length relationship with its parent company, ICICI Bank and other group companies. Accordingly, the Policy on Arms' length was adopted by the Company which was approved by the Board of Directors of the Company at its 26th Meeting held on April 24, 2006.

The Ministry of Corporate Affairs (MCA) has notified the sections of the Companies Act, 2013 (the Act) and Rules thereunder effective from April 1, 2014. In accordance with section 188(1) of the Companies Act, 2013 which is effective from April 1, 2014, the company shall not enter into a transaction with a related party (as defined vide clause 76 of section 2 of the Act), except with the consent of the Board of Directors of the Company with respect to the following:

- (a) sale, purchase or supply of any goods or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (c) leasing of property of any kind;
- (d) availing or rendering of any services;
- (e) appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (g) underwriting the subscription of any securities or derivatives thereof of the Company.

Provided that the above shall not apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis.

Under section 188 of the Companies Act and the Rules framed thereunder, the prior approval of the Company, through a resolution, is required for related party transactions which are not in the ordinary course of business or not on an arm's length basis, if the contract or arrangement with related party exceeds certain threshold limits, as given below.

- i. 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 or ₹ 1.00 billion, whichever is lower.
- ii. selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to 10% or more of net worth of the company or ₹ 1.00 billion, whichever is lower.
- iii. leasing of property of any kind amounting to 10% or more of the net worth of the company or 10% or more of the turnover of the company or ₹ 1.00 billion, whichever is lower.

- iv. availing or rendering of any services directly or through appointment of agent, amounting to 10% or more of the turnover of the company or ₹ 500.0 million, whichever is lower.

Explanation: The limits specified in sub-clauses (i) to (iv) above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

- v. appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding ₹ 0.25 million.
- vi. remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding 1% of the net worth.

“Turnover” has been defined under section 2(91) of the Companies Act as “the aggregate value of the realisation of amount made from the sale, supply or distribution of goods or on account of services rendered, or both, by the company during a financial year”.

The Companies Act, 2013 also prescribes disclosure of related party transactions in the Board of Directors Report which are entered into on arms’ length basis. Further the related party transactions which are not entered into at arms’ length basis are required to be approved by the Board of Directors of the Company. For this purpose “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.

Further, Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 has introduced certain approval requirements regarding material related party transactions and has defined the threshold limits of a material related party transaction.

Approach for the Policy on Related Party Transactions

The Policy has been designed after considering the following aspects:

1. Policy framework

The Policy covers, inter alia, the nature of the transactions between ICICI Lombard and its related parties as defined in the framework, the manner of establishing the arms’ length principle in a particular transaction, method used for establishing arms’ length for various transactions under other acts/statutes and the internal authority to whom such transactions need to be reported etc.

2. Definition of Related Party, Material Related Party Transactions & Turnover

“related party”, with reference to a company, 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 is a member or director;

- (v) a public company in which a director or manager is a director or holds along with his relatives, more than two per cent. 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:
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) any company which is—
 - a holding, subsidiary or an associate company of such company;
 - a subsidiary of a holding company to which it is also a subsidiary; or
- (ix) a director, other than an independent director or key managerial personnel of the holding company or his relative with reference to a company.

Material Related Party Transactions

Material Related Party Transactions as per Regulation 23 means a transaction with a related party if a transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceed ten percent of the turnover of the Company as per the last audited financial statements of the Company.

Turnover

Turnover has been defined as the aggregate value of the realization of amount made from sale, supply or distribution of goods or on account of services rendered, or both, by the company during a financial year. Accordingly, for the Company, the 'turnover' is considered as the Total Income i.e. the total of all premium income and other income.

3. Arms' length principles

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.

For the purpose of compliance with arm's length principle, an effective approach is a comparison with pricing of transactions with independent parties, which may involve comparison of the terms (a) with those of an identical or similar transaction with one or more unrelated parties; or (b) with known market terms for identical or similar transactions. However, different types of transactions may require other methods for assessing arm's length pricing.

1. Nature of transactions

The transactions/relationships, inter se, between the ICICI Lombard and its related parties as defined in the framework could be of diverse nature. The nature of transactions, basis of

arms' length and method of determining arms' length for FY 2019 are mentioned in Annexure A.

2. Review and Approval of Related Party Transactions

All related party transactions shall require the approval of the Audit Committee and the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the Company.

- The Board may authorise the Audit Committee to grant omnibus approval for related party transactions.
- The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company.
- Omnibus approval may be granted by the Audit Committee for related party transactions as per the details in Annexure A.
- In respect of investment transactions pertaining to dealings in investment securities, including purchase/sale of securities and brokerage the maximum value per transaction with a single related party would not exceed 2.5% of the investment assets at the end of the preceding financial year. However, for other than investment transactions which would include short term fixed deposits, the maximum value per transaction, under the omnibus approval route would not exceed 10% of the total Gross Written Premium of the Company at the end of the preceding financial year.
- In respect of investment transactions pertaining to dealings in investment securities, including purchase/sale of securities and brokerage the maximum value of transactions, in aggregate with a single related party, in a financial year would not exceed 10% of the investment assets at the end of preceding financial year. However, for other than investment transactions which would include short term fixed deposits, the maximum value of transactions, in aggregate with a single related party, in a financial year, under the omnibus approval route would not exceed 30% of the total assets at the end of the preceding financial year.
- Omnibus approval should include the nature of transactions, name of related party, indicative base price/current contracted price and the formula for variation in the price and arm's length basis.
- Where the need for related party transactions cannot be foreseen and the aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding ₹ 1 crore per transaction.
- Such omnibus approval shall be valid for a period not exceeding financial one year and shall require fresh approval after the expiry of such financial year.

- If a related party transaction is a material related party transactions as per Regulation 23, it shall require shareholder's approval through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.
- If a related party transaction is not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under Companies Act, 2013, it shall require a shareholders' approval by resolution. In such a case, any member who is a related party having interest in the transaction for which resolution being proposed, shall not vote on such resolution passed for approving related party transaction.
- A note on transactions with related parties to be placed at the Audit Committee every quarter for review.
- Every contract or arrangement, which is required to be approved by the Board/Shareholders under this Policy, shall be referred to in the Boards' report to the shareholders 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 a quarterly basis.

Omnibus approval of the Audit Committee

The following table lists various types of transactions undertaken by the Company with related parties, along with the basis of pricing and the arm's length criteria, for omnibus approval of the Committee. The duration of the transaction may vary depending upon the nature of the transaction.

| Sr. No. | Nature of transactions | Name of related party | Indicative base price/current contracted price and the formula for variation in the price | Arm's length basis |
|----------------|---|---|--|--|
| 1 | Insurance Services : Insurance Premium | All entities, directors, KMP's and their relatives of the Company/Holding Company | As per underwriting policy of the Company | As per underwriting policy of the Company |
| 2 | Insurance Services : Claims paid | All entities, directors, KMP's and their relatives of the Company/Holding Company | Claims are settled on the basis of independent survey report | Claims are settled on the basis of independent survey report |
| 3 | Income from Investment | All entities, directors, KMP's and their relatives of the Company/Holding Company | As per rates prevailing | As per rates prevailing |
| 4 | Commission/Brokerage | All entities, directors, KMP's and their relatives of the Company/Holding Company | As per IRDAI prescribed rates | As per IRDAI prescribed rates |
| 5 | Dealings in investment securities, including purchase/sale of securities and brokerage relating to investment transactions. | All entities, directors, KMP's and their relatives of the Company/Holding Company | As per investment policy of the Company | As per investment policy of the Company |

| Sr. No. | Nature of transactions | Name of related party | Indicative base price/current contracted price and the formula for variation in the price | Arm's length basis |
|----------------|-------------------------------------|---|--|---|
| 6 | Premium paid | All entities, directors, KMP's and their relatives of the Company/Holding Company | As per group transfer pricing policy of the Company | As per group transfer pricing policy of the Company |
| 7 | Establishment and other expenditure | All entities, directors, KMP's and their relatives of the Company/Holding Company | As per group transfer pricing policy | As per group transfer pricing policy |
| 8 | Issue of share capital | All entities, directors, KMP's and their relatives of the Company/Holding Company | As per valuation report by independent valuer applicable to all shareholders | As per valuation report by independent valuer applicable to all shareholders |
| 9 | Share premium on shares issued | All entities, directors, KMP's and their relatives of the Company/Holding Company | As per valuation report by independent valuer applicable to all shareholders | As per valuation report by independent valuer applicable to all shareholders |
| 10 | Share Application Money received | All entities, directors, KMP's and their relatives of the Company/Holding Company | As per valuation report by independent valuer applicable to all shareholders | As per valuation report by independent valuer applicable to all shareholders |
| 11 | Rent/Other income | All entities, directors, KMP's and their relatives of the Company/Holding Company | As per group transfer pricing policy | As per group transfer pricing policy |
| 12 | Dividend payment | All entities, directors, KMP's and their relatives of the Company/Holding Company | Amounts vary across different years | Dividend is declared in compliance with extant laws and regulations and the rate is applicable to all share holders |

| Sr. No. | Nature of transactions | Name of related party | Indicative base price/current contracted price and the formula for variation in the price | Arm's length basis |
|----------------|---|---|--|--|
| 13 | Short term fixed deposits | All entities, directors, KMP's and their relatives of the Company/Holding Company | Market rates prevailing at the time of deals | These transactions are done at prevailing market rates |
| 14 | Debentures issuance A) Interest Rate B) Arranger Fees | All entities, directors, KMP's and their relatives of the Company/Holding Company | Market rates | These transactions are done at market rates |
| 15 | Royalty payments | ICICI Bank | As per agreement | As per agreement |