

# ICICI LOMBARD GENERAL INSURANCE COMPANY LIMITED

## Policy on Related Party Transactions

### 1. Background:

The Companies Act, 2013 (“the Act”) has introduced Sections 177 and 188, which contain provisions regarding related party transactions. These sections, along with the relevant Rules framed under the Companies Act, have introduced certain compliance and approval requirements regarding the related party transactions. Further, Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 (“Listing Regulations”) has also introduced certain approval requirements regarding the related party transactions. Regulation 23 of Listing Regulations, requires the listed companies to formulate a policy on dealing with related party transactions. Such a policy is also mandated by Insurance Regulatory and Development Authority of India (Corporate Governance for Insurers) Regulations, 2024.

Accordingly, ICICI Lombard General Insurance Company (“the Company”) has adopted this Policy on Related Party Transaction (“the Policy”) with regard to related party transactions. The Policy will be reviewed once in a financial year or as and when any material changes take place in the applicable regulations.

Any changes in the provisions, clarifications, Frequently Asked Questions (FAQs) issued under the Companies Act/Listing Regulations/CG Guidelines/any other applicable laws, regarding related party transactions will be applicable to the Policy/Framework on Related Party of Transaction from the date the changes, clarifications or FAQs are effective.

### 2. Definition:

#### “Related party”

Related party has been defined in the Act as amended, in Accounting Standard 18 (‘AS 18’) and in regulation 23 of Listing Regulation.

Definitions as per the respective regulations are given below; for the purposes of this policy, definitions as amended from time to time, shall be considered.

#### A. Under the Companies Act, 2013:

**Related party**”, with reference to section 2 (76) of the Act, 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 director;
  - (v) a public company in which a director or manager is a director and 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 body corporate 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;
    - an investing company or the venturer of a company;
  - (ix) a director (other than an independent director) or key managerial personnel of the holding company or his relative with reference to a company.

#### **B. Under Accounting Standard (AS) 18:**

Related party relationships are described under AS 18, as follows:

- a. enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);
- b. associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture;
- c. individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
- d. key management personnel and relatives of such personnel;
- e. enterprises over which any person described in (c) or (e) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

### C. Under Regulation 23 of Listing Regulations:

An entity shall be considered as related to the Company if:

- i. such entity is a related party under Section 2(76) of the Act; or
- ii. such entity is a related party under the applicable accounting standards
- iii. any person or entity forming a part of the promoter or promoter group of the Company
- iv. Any person or any entity holding equity shares of 10% or more in the Company listed entity directly or on a beneficial interest basis as prescribed under section 89 of the Act any time during the immediately preceding financial year

### Related Party Transaction

Related party transaction” means a transaction involving a transfer of resources, services or obligations between:

(i) Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand, with effect from April 1, 2022; or

(ii) a listed entity or any of its subsidiaries on one hand, and 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, with effect from April 1, 2023;

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:

Provided that the following shall not be a related party transaction:

(a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(b) the following corporate actions which are uniformly applicable/ offered to all shareholders

in proportion to their shareholding: -

- i. payment of dividend.
- ii. sub-division or consolidation of securities;
- iii. issuance of securities by way of a rights issue or a bonus issue; and
- iv. buy-back of securities;

(c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

(d) retail purchases from the Company by the directors or key managerial personnel, employees of the Company or its subsidiary, and relatives of such directors or key managerial personnel, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees, directors, key managerial personnel and relatives of directors or key managerial personnel.

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognized stock exchange(s);

For the purpose as above, “retail purchases” would mean purchase/availing of products and services offered by the Company in the ordinary course of its business, on terms which are uniformly offered to all employees as per applicable policies of the Company, subject, however, to applicable regulations.

### **Material Related Party Transactions**

Material Related Party Transactions means a transaction with a related party if a transaction/ transaction to be entered into individually or taken together with previous transactions during a financial year, exceed the thresholds specified in Schedule XII to the Listing Regulations.

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 turnover of the Company as per the last audited financial statements of the Company.

Material related party transaction as per the Companies Act, 2013 means transactions as provided in Section 188(1) of the Act entered into with a related party as defined under Section 2 (76) of the Act that is not in the ordinary course of business or not on an arm’s length basis and exceeds the threshold as specified in Rule 15 of Companies (Meetings of the Board and its Powers) Rules, 2015.

### **Material Modification**

“Material modification” as per Regulation 23 means, subsequent to entering into a contract or arrangement for a related party transaction, would mean change in overall pricing or rate under a contract by more than 20% without altering the stated terms

and conditions. Provided further that the aggregate value of transactions under the contract during the previous financial year or current financial year till the date of modification was more than ₹ 100 Crore (One Hundred Crore). Provided further, a contract or arrangement where same pricing or rates are offered uniformly to all customers/service providers will be exempt from the scope of material modification.

### **Associate Company**

“Associate company” 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.

### **Joint Venture**

“Joint venture” means a joint arrangement whereby the parties that have joint control of the arrangement have rights to net assets of the arrangement.

### **Significant Influence**

Significant Influence means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an agreement.

### **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 Gross Written Premium income and other income.

### **Ordinary Course of Business**

“**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:

- i. The transaction is normal or otherwise unremarkable for the business.
- ii. 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 Company may not have done it in the past.

These are not exhaustive criteria and the Company will have to assess each transaction considering its specific nature and circumstances.

### **Arms' length principles**

In terms of the 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.

### **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 are mentioned in Related Party Framework.

## **4. Review and Approval of Related Party Transactions**

### **A. Audit Committee**

All related party transactions and subsequent material modification, where Company is one of the parties to the transaction, should be pre-approved by the Audit Committee of the Company before entering into such transaction. The Audit Committee shall consider all relevant factors while deliberating the related party transactions for its approval. The Audit Committee may not approve a transaction but may make appropriate recommendations to the Board.

Any member of the Committee who has a potential interest in any related party transaction will recuse himself/herself and abstain from discussion and voting on the approval of the related party transaction. Further, only those members of the Committee, who are independent directors, shall approve related party transactions. A related party transaction which is (i) not in the ordinary course of business, or (ii)

not at arm's length price, would require approval of the Board of Directors or of shareholders as mentioned subsequently.

The Audit Committee may grant omnibus approval for related party transactions proposed to be undertaken by of the Company, which are repetitive in nature and subject to certain criteria/conditions as required under Regulation 23 of Listing Regulations and Companies (Meetings of Board and its Powers) rules, 2014 as amended 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 one financial year.

Below related party transactions would be exempted from the obtaining the approval from the Audit Committee of the Company:

“Remuneration and sitting fees paid by the Company to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of sub-regulation (1) of this regulation”

Where the need for Related Party Transaction cannot be foreseen and specified details as required in Regulation 23(3) of Listing Regulations and Rule 6A are not available, the Audit Committee may grant an omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

Audit Committee shall review, on a quarterly basis, the details of related party transactions entered into by the Company pursuant to the each of the omnibus approval. In connection with any review of a related party transaction, the Committee has authority to modify or waive any procedural requirements of this policy.

Prior approval for a related party transaction of the Company, not covered under omnibus approval, will be obtained from the Audit Committee. 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.

The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, subject to the conditions specified in Regulation 23(2)(f) of Listing Regulations.

The value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore.

Failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

The Audit Committee shall be provided with minimum information in accordance with the requirements of the Listing Regulations, the Act, the rules made thereunder as amended from time to time or as requested by the Audit Committee.

## **B. Board of Directors**

In case any related party transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length basis, or (iii) a transaction not approved but recommended by the Audit Committee, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board, who has any potential interest in any related party transaction will recuse himself/herself and abstain from discussion and voting on the approval of the related party transaction.

All material related party transactions per Listing Regulations shall be recommended for approval by the Board of Directors to the shareholders. Further, all material related party transactions as per the Companies Act shall be pre-approved by the Board of Directors and recommended for approval to the shareholders.

The Board of Directors of the Company shall be provided with minimum information in accordance with the requirements of the Listing Regulations, the Act, the rules made thereunder as amended from time to time.

## **C. Shareholders**

Material related party transaction or a subsequent material modification will require shareholders' prior approval through resolution and no related parties will vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

If a related party transaction, entered by the Company, is not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Companies Act, 2013, it shall require shareholders' approval by a 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.

## **5. Reporting of Related Party Transactions**

The Act, accounting standard 18 and Regulation 23 of the Listing Regulations place the following reporting requirements on an entity, which will be duly complied with by the Company:

- i. A note on transactions with related parties, to be placed at the Audit Committee every quarter for its review, in compliance with the requirements of sections 177 and 188 of the Act, 2013.
- ii. Disclosure of related parties and transaction with related parties as per AS 18 in the notes to account forming part of Financials of the Company.
- iii. Every contract or arrangement entered into under Section 188 of the Act, which is required to be approved by the Board/shareholders under this Policy, to be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- iv. The disclosure as may be prescribed in the corporate governance reports on related parties which are required to be submitted to the stock exchanges on a quarterly basis.
- v. The disclosure of related party transaction would be submitted, to the stock exchanges on a half-yearly basis to stock exchange in format specified by SEBI from time to time and publish the same on its website within the timeline prescribed in listing regulation.
- vi. Disclosure of transactions with any person or entity belonging to the promoter/promoter group of the Company and having shareholding of 10% or more in the Company in the annual report.
- vii. The review of related party transactions shall be carried out by an independent external consultant once in a block of three years and the report will be placed before the Audit Committee.
- viii. The details of materially significant related party transactions that may have potential conflict with the interests of the Company, shall be included in the Corporate Governance Report which forms part of the Annual Report of the Company.