

# **ICICI LOMBARD GENERAL INSURANCE COMPANY LIMITED**

## **DIVIDEND DISTRIBUTION POLICY**

### **Statutory guidelines**

The Company being an insurance company is also governed by the Insurance Act, 1938 in addition to the provisions of the Companies Act, 2013 and rules made in this behalf and the Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015. Following are the brief provisions governing the declaration of dividend by the Company.

#### **1. The Companies Act, 2013**

As per the provisions of the Section 123 of the Companies Act, 2013, the Company may declare interim/final dividend out of profits of the Company for that year or out of the profits of the Company for any previous financial year arrived at after providing for depreciation and remaining undistributed or out of both. The Company has the option to transfer such percentage of its profits for that financial year as it may consider appropriate to the reserves of the Company. In case of inadequacy or absence of profits in any financial year, the Company may declare dividend out of the accumulated profits earned by it in previous years and transferred by the Company to the free reserves, such declaration of dividend shall not be made except in accordance with such rules as may be prescribed in this behalf.

The Company may declare interim dividend during any financial year or at any time during the period from closure of financial year till holding annual general meeting out of the surplus in the profit and loss account or out of profits of the financial year for which such interim dividend is sought to be declared or out of profits generated in the financial year till the quarter preceding the date of declaration of the interim dividend.

In case the Company has incurred loss during the current financial year up to the end of the quarter immediately preceding the date of declaration of interim dividend, such interim dividend shall not be declared at a rate higher than the average dividends declared by the Company during the immediately preceding three financial years.

#### **2. The Insurance Act, 1938**

No specific provision has been prescribed for General Insurance Companies. Section 49 of the Insurance Act, 1938 is applicable to Life Insurance Companies.

### **3. The Income Tax Act, 1961**

As per the provisions of the Income Tax Act, 1961 as amended by the Finance Act, 2020, dividends paid or distributed by a company on or after April 1, 2020 shall be taxable in the hands of the shareholders.

### **4. Requirements under Articles of Association**

In addition to the regulatory requirements, the payment of dividends would be as per the guidelines provided under the section titled “Dividends” in the Articles of Association (AOA) of the Company. A key restriction under the AOA as per Article 203 specifies that no Member shall be entitled to receive dividend in respect of his/her share(s) whilst any money is due from him/her to the Company in respect of such share(s) or otherwise howsoever, either singly or jointly with any person(s) and the Directors may deduct from the dividend payable to any Member all sums of money so due from him to the Company. Hence, on partly paid shares, dividend is not paid but is deducted from the amount of unpaid calls.

### **5. Compliance Philosophy**

The declaration of the dividend would be governed by the following principles:

- (a) Business plans and growth strategy of the Company and thereby assessing the capital requirement of the Company.
- (b) Payment of all statutory dues payable under various laws applicable to the Company.
- (c) Preparation of the financials as per provisions of the applicable accounting standards, guidelines issued by the Institute of Chartered Accountants of India, the Companies Act, 2013 and in accordance with IRDAI (preparation of financial statements) Regulations, 2000.
- (d) Compliances with the provisions of rules, guidelines, directions issued by applicable authorities and the Companies Act, 2013 regarding reserve requirement before declaration of the dividend.

### **6. Quantum of dividend payable**

The quantum of dividend to be declared by the Company will be based on the profitability and solvency margin position of the Company.

### **7. Approval process**

The management of the Company, after reviewing the financial position of the Company against the statutory requirements for payment of dividend, would submit a proposal to the Board of Directors for dividend on equity shares.

The Board would take into account the following aspects while deciding on the proposal for dividend:

- (a) profitability and solvency margin position;
- (b) the interim dividend paid, if any;
- (c) the auditors' qualifications pertaining to the statement of accounts, if any;
- (d) the Company's capital position and requirements as per Internal Capital Adequacy Assessment Process (ICAAP) projections and regulatory norms, and
- (e) regulatory requirements as detailed in earlier sections.

The dividend decision would be subject to consideration of any other relevant factors, including, for example:

- External factors including state of the domestic and global economy, capital market conditions and dividend policy of competitors;
- Tax implications including applicability and rate of dividend distribution tax;
- Shareholder expectations

The decision regarding dividend shall be taken only by the Board at its Meeting and not by a Committee of the Board or by way of a Resolution passed by circulation.

Final dividend shall be paid only after approval at an Annual General Meeting (AGM) of the Company. Shareholder approval is not required for payment of interim dividend.

## **8. Utilisation of retained earnings**

The Company would utilise the retained earnings for general corporate purposes, including organic and inorganic growth and/or appropriations/drawdowns as per the regulatory framework. The Board may decide to employ the retained earnings in ensuring maintenance of an optimal level of capital adequacy, meeting the Company's future growth/expansion plans, other strategic purposes and/or distribution to shareholders, subject to applicable regulations.

## **9. Parameters for various classes of shares**

Currently, the Company has only one class of equity shareholders. In the absence of any other class of equity shares and/or equity shares with differential voting rights, the entire distributable profit for the purpose of declaration of dividend is considered for the equity shareholders.

**10. Circumstances under which the shareholders may or may not expect dividend**

The Board of the Company may vary the level of dividend or not recommend any dividend based on the regulatory eligibility criteria for recommendation of dividend, including any regulatory restriction placed on the Company on declaration of dividend.

The Board of the Company may vary the level of dividend or not recommend any dividend based on the capital and reserves position of the Company. The Board may recommend lower or no dividends if it is of the view that there is a need to conserve capital. The Board may recommend higher dividends, subject to applicable regulations, if the capital and reserves position supports a higher distribution to the shareholders.

**8. Review**

The Dividend Distribution Policy of the Company would be reviewed annually, or earlier, if material changes take place in the applicable regulations.