

**SUBSCRIPTION**

**AND**

**SHARE HOLDERS AGREEMENT**

**RELATING TO JOINT VENTURE COMPANY TO BE INCORPORATED IN  
INDIA FOR  
LIFE INSURANCE BUSINESS**

**CANARA BANK**

**AND**

**HSBC INSURANCE (ASIA-PACIFIC) HOLDINGS  
LTD**

**AND**

**ORIENTAL BANK OF COMMERCE**

**AND**

**HONG KONG AND SHANGHAI BANKING  
CORPORATION LTD**



**CANARA BANK**



**HSBC Insurance  
(Asia-Pacific) Holdings Ltd**



**ओ.बी.सी.**

**ORIENTAL BANK OF COMMERCE**



**HSBC**

**Dated 8th September 2007**

**CANARA BANK**

and

**HSBC INSURANCE (ASIA-PACIFIC) HOLDINGS LTD.**

and

**ORIENTAL BANK OF COMMERCE**

and

**THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED**

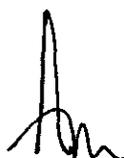
**Subscription and Shareholders Agreement**

Relating to a joint venture company to be incorporated in India to conduct a life insurance business



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This Agreement is made on 8th September 2007 between.

- (1) **Canara Bank**, a body corporate constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and having its registered office at 112, J.C. Road, Bangalore 560002, Karnataka, India (hereinafter referred to as "CB" which expression shall be deemed to include its successors and permitted assigns);
- (2) **HSBC Insurance (Asia-Pacific) Holdings Ltd.**, a company incorporated in Hong Kong having its registered office at 18/F, Tower 1, HSBC Centre, 1 Sham Mong Road, Kowloon, Hong Kong (hereinafter referred to as "INAH" which expression shall be deemed to include its successors and permitted assigns);
- (3) **Oriental Bank of Commerce**, a body corporate constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 and having its registered office at Harsha Bhawan, E Block, Connaught Place, New Delhi 110001, India (hereinafter referred to as "OBC" which expression shall be deemed to include its successors and permitted assigns); and
- (4) **The Hongkong and Shanghai Banking Corporation Limited**, a company incorporated in Hong Kong, having its registered office at 1 Queen's Road, Central, Hong Kong (hereinafter referred to as "HSBC").

**Recitals:**

- (A) CB, INAH and OBC have agreed to establish a joint venture company (the "Company") in India to carry on the Business.
- (B) CB, INAH and OBC are parties to a Memorandum of Understanding dated 5 March 2007 recording the broad principles and their preliminary understanding for establishing the Company for the purpose of conducting the business of life insurance in India.
- (C) The parties are desirous of entering into this Agreement to define their mutual rights and obligations and to regulate the terms and conditions of their commercial understanding with respect to the investment by the parties and the management and governance of the Company.
- (D) HSBC is the holding company of INAH and is entering into this Agreement for the limited purpose of providing the assurance set out in Clause 23.

**Now, therefore**, in consideration of the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

**1 Interpretation**

In this Agreement (including the Recitals):

**1.1 Definitions**

"Act" means the Companies Act 1956;

"agreed terms" means a document in the terms agreed between the parties and signed for identification by or on behalf of the parties with such alterations as may be agreed between the parties;

"Annual Operating Plan" means the annual operating plan for the Company, as approved by the Board in accordance with Clause 6.2.11, prepared annually in

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respect of the forthcoming financial year, and including the budget for the Company and its business plan and setting out details of the Company's operating plan in pursuance of the Company's strategy;

**"Arbitration Act"** means the Arbitration and Conciliation Act, 1996;

**"Articles"** means the proposed new articles of association of the Company to be adopted at Completion, which Articles will reflect the provisions of this Agreement;

**"Associated Company"** means, in relation to a person, any person or entity that directly or indirectly Controls, is Controlled by, or is under common Control with, such person and **"Associated Companies"** shall be construed accordingly;

**"Audited Accounts"** means the report and audited accounts of the Company for the financial period ending on the relevant balance sheet date;

**"Auditors"** means the firm or firms of Chartered Accountants appointed auditors of the Company from time to time and includes any auditor appointed by the CAG;

**"Board"** means the board of directors of the Company;

**"Business"** means the business of life insurance as defined under the Insurance Act;

**"Business Day"** means a day which is not a Saturday or Sunday or a bank or public holiday in India;

**"CAG"** means the Comptroller and Auditor General of India;

**"CB Director"** means a director nominated for appointment by CB in accordance with the Articles and this Agreement, and **"CB Directors"** shall be construed accordingly;

**"CEO"** means the Chief Executive Officer of the Company, appointed in accordance with Clause 8, who shall be vested with the responsibility for the day-to-day management of the Company;

**"CFO"** means the Chief Financial Officer of the Company;

**"Change in Law Period"** shall have the meaning ascribed to that term in Clause 12.5.3;

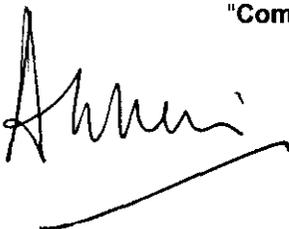
**"Chairman"** means the Chairman of the Board from time to time;

**"Chief Actuary"** means the chief actuary of the Company, as approved and appointed by the Board from time to time;

**"Competitor"** means any person:

- (i) who is engaged in the Business;
- (ii) who is the legal or beneficial holder of more than 10 per cent. of the issued share capital of an entity referred to in paragraph (i) above; or
- (iii) in whom the entity referred to in paragraph (i) above owns more than a 10 per cent. interest;

**"Completion"** means the completion of the events described in Clause 3;



**"Completion Date"** means the date on which Completion takes place pursuant to Clause 3;

**"Control"** means, in relation to a person, where a person (or persons acting in concert) have direct or indirect control (1) of the affairs of the first-mentioned person, or (2) over more than 50 per cent. of the total voting rights conferred by all the issued shares in the capital of that first-mentioned person which are ordinarily exercisable in general meeting or (3) of the composition of the main board of directors of that first-mentioned person. For these purposes, **"persons acting in concert"**, in relation to a person, are persons which actively co-operate, pursuant to an agreement or understanding (whether formal or informal) with a view to obtaining or consolidating Control of such person;

**"COO"** means the Chief Operating Officer of the Company;

**"Deed of Adherence"** means a deed substantially in the form set out in Schedule 1;

**"Directors"** means the directors on the Board and, where the context so requires, shall include an alternate of a director, and **"Director"** means any one of them;

**"Distributors"** means the Indian branches of OBC, CB and HSBC;

**"Distribution Agreements"** means an agreement between the Company and each of the Distributors to be entered into on or before the Completion Date, which shall reflect the principles set out in Schedule 2;

**"Embedded Value"** means the embedded value of the Shares calculated in accordance with Clause 16;

**"Fair Value"** means the fair market value of the Shares calculated in accordance with Clause 16;

**"FDI in the Insurance Sector"** means all laws, regulations, notifications, process notes or other communications from the Government of India or any department, instrumentality, subdivision or other authority thereof which, read together, set out the Government of India's policy in relation to foreign investment in the Insurance Sector in India;

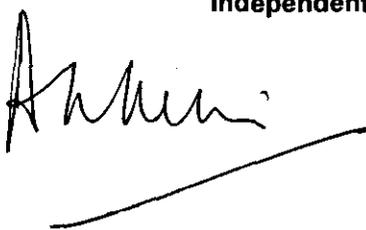
**"IFRS"** means the International Financial Reporting Standards as applicable from time to time;

**"INAH Director"** means a director nominated for appointment by INAH in accordance with the Articles and this Agreement, and **"INAH Directors"** shall be construed accordingly;

**"Increase Exercise Period"** means the 90 Business Day period commencing from the date of the expiry of the Change in Law Period;

**"Increased INAH Shareholding Percentage"** means, following any change to the rules in relation to FDI in the Insurance Sector, the lower of (i) 45 per cent., or such lower percentage as may be agreed in writing between the parties; and (ii) the maximum level of foreign investment in the insurance sector permitted by such change in rules;

**"Independent Director"** means a non-executive director of the Company who:



- (a) apart from receiving a director's remuneration, does not have any material pecuniary relationships or transactions with the Company, its Shareholders, its Directors, its senior management or its holding company, its subsidiaries and associates which may affect the independence of the Director;
- (b) is not related to the Shareholders, Directors or persons occupying management positions at one level below the Board;
- (c) has not been an employee of the Company in the immediately preceding three (3) financial years;
- (d) is not a partner or an executive or was not a partner or an executive during the preceding three (3) years, of any of the following:
  - (i) the statutory audit firm or the internal audit firm that is associated with the Company or any Shareholder; and
  - (ii) the legal firm(s) and consulting firm(s) that have a material association with the Company or any Shareholder;
- (e) is not a material supplier, service provider or customer or a lessor or lessee of the Company or any Shareholder, which may affect the independence of the Director; and
- (f) is not a substantial shareholder of the Company or any Shareholder, i.e. owning two (2) per cent. or more of the block of voting shares;

"**Indian GAAP**" means the accounting standards generally accepted in India;

"**Insurance Act**" means the Insurance Act, 1938;

"**IRDA**" means the Insurance Regulatory Development Authority and its successors;

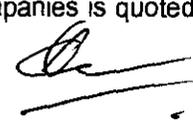
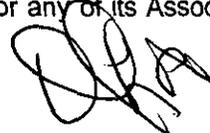
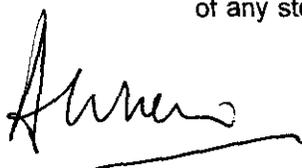
"**Name Protection Agreements**" means, collectively, the three agreements to be entered between the Company and each of CB, OBC and INAH, or their, respective, Associated Companies, as appropriate, for the use by the Company of the names owned or used by either of CB, OBC and INAH or their respective Associated Companies, as appropriate, together with any associated trade marks or other intellectual property;

"**Net Asset Value**" means, in relation to the Company, the net asset value at market values as at the valuation date;

"**OBC Director**" means a director nominated for appointment by OBC in accordance with the Articles and this Agreement, and "**OBC Directors**" shall be construed accordingly;

"**Official**" means any official, agent or employee of any government or of any department, agency or instrumentality thereof (including, without limitation, any person or entity owned or controlled thereby) or any person acting in an official capacity for or on behalf of such government, department, agency or instrumentality or any political party or any official thereof or any candidate for public office;

"**Permitted Condition**" means a *bona fide* material consent, clearance, approval or permission necessary to enable the relevant person to be able to complete a transfer of Shares under (1) its constitutional documents, (2) the rules or regulations of any stock exchange on which it or any of its Associated Companies is quoted or



(3) the rules or regulations of any governmental, statutory or regulatory body in those jurisdictions where that person or any of its Associated Companies carries on business;

**"President"** means the President, at the relevant time, of the Confederation of Indian Industry;

**"Qualifying Shareholders"** means Shareholders owning, together with their Associated Companies, 10 per cent. or more of the Shares, and **"Qualifying Shareholder"** shall be construed accordingly;

**"Rs"** or **"Rupees"** means the lawful currency of the Republic of India;

**"Shareholders"** means CB, INAH, OBC and any other person who holds Shares, and **"Shareholder"** shall be construed accordingly;

**"Shares"** means the ordinary equity shares of the Company with a par value of Rs10 (Rupees Ten Only) each, to be issued and subscribed from time to time and includes (1) any shares issued in exchange for those shares or by way of conversion or reclassification and (2) any shares representing or deriving from those shares as a result of an increase in, reorganisation of or variation of the capital of the Company, and a **"Share"** shall be construed accordingly;

**"Solvency Ratio"** means the ratio of the amount of Available Solvency Margin to the amount of the Required Solvency Margin (as such terms have been defined under the IRDA (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000);

**"Strategic Plan"** means the strategic plan for the Company, as approved by the Board from time to time in respect of a forthcoming period of up to five years as decided by the Board;

**"Subscription/Purchase Price"** has the meaning given to it in Clause 12.3;

**"Technical Assistance and Services Agreement"** means an agreement between the Company and INAH to be entered into on or before the Completion Date; and

**"USD"** or **"US\$"** means the lawful currency of the United States of America.

## 1.2 Modification etc. of statutes

References to a statute or statutory provision include that statute or provision as from time to time modified or re-enacted or consolidated whether before or after the date of this Agreement so far as such modification or re-enactment or consolidation applies or is capable of applying to any transactions entered into in accordance with this Agreement.

## 1.3 Holding company and subsidiary

The expressions **"holding company"** and **"subsidiary"** shall have the same meanings in this Agreement as their respective definitions in the Act.



#### 1.4 References to party

A "party" shall mean one of CB, INAH, OBC and any person or entity that enters into a Deed of Adherence, and "parties" shall be construed accordingly; and, unless specifically included, references to "party" or "parties" shall exclude HSBC.

#### 1.5 Clauses, Schedules etc.

References to this Agreement include any Recitals and Schedules to this Agreement as from time to time amended and references to Clauses and Schedules are to Clauses of and Schedules to this Agreement.

#### 1.6 Headings

Headings shall be ignored in construing this Agreement.

#### 1.7 Time of day

References to time of day are to Indian time unless otherwise stated.

#### 1.8 Information

Any reference to books, records or other information means books, records or other information in any form including paper, electronically stored data, magnetic media, film and microfilm.

## 2 Incorporation of the Company, conditions and warranties

### 2.1 Incorporation of the Company

2.1.1 CB shall, as soon as practicable after the signing of this Agreement, incorporate the Company as a public limited company, which satisfies the following criteria:

- (i) the name of the Company shall be "Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited";
- (ii) the registered office of the Company shall be located in Bangalore;
- (iii) the Company shall have an authorised share capital of Rs2,000,000,000 divided into 200,000,000 ordinary shares of Rs10 each;
- (iv) the issued and paid-up share capital shall be Rs500,000 and shall be held by CB and six (6) other nominees of CB. These persons shall hold one (1) Share each, on behalf of and as nominees of CB so as to meet the requirement for a public company to have a minimum of seven (7) shareholders.
- (v) the Company shall have three (3) Directors upon its incorporation and CB, INAH and OBC shall each nominate one (1) Director for appointment.



- 2.1.2 Immediately following its incorporation, the Shareholders shall procure that the Company signs a Deed of Adherence and becomes a party to this Agreement.
- 2.1.3 The parties shall also procure that at Completion the Company reimburses to each Shareholder all reasonable costs and expenses incurred by it in connection with the initial organisational activities of the Company.

## 2.2 Further Capitalisation

As soon as practicable after incorporation, the parties shall agree to subscribe for Shares in the Company up to such amount as may be agreed between the parties, to enable the Company to fund its operations in the period up to Completion. Any such Shares shall be subscribed in amounts so as to ensure that following such subscription, the shareholding of each of CB, INAH and OBC in the Company is as follows:

Shareholder (together with Associated Companies)	Percentage ownership
CB	51
INAH	26
OBC	23

CB and OBC (and/or their, respective, Associated Companies) shall subscribe to their Shares at their par value and INAH (and/or its Associated Companies) shall subscribe to Shares at a price of Rs34,038 per Share (with Rs24,038 being credited to the share premium account of the Company as a premium on the Shares).

## 2.3 Conditions precedent

Completion is conditional on the satisfaction or waiver of the following conditions:

- 2.3.1 the Company shall have been duly incorporated, validly established and be in good standing and each of CB, INAH and OBC shall have been reasonably satisfied that the Company has not conducted any business, or incurred any liabilities, except in relation to making the requisite applications to the relevant authorities to enable the Company to conduct the Business;
- 2.3.2 the receipt by the Company of the approval from the IRDA, on terms satisfactory to the Shareholders, of the Company's registration application in the prescribed Form IRDA/R1 made pursuant to Regulation 3(1) of the IRDA (Registration of Indian Insurance Companies) Regulations, 2000;
- 2.3.3 the receipt by the Company of the "in-principle" approval from the IRDA following submission of Form IRDA/R2 Application by the Company; and such "in-principle" approval being valid and subsisting and the IRDA not having issued any notice in relation to the intended termination, amendment or revocation of the "in-principle" approval;





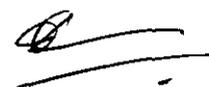
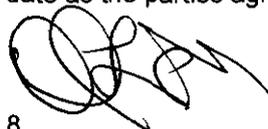
- 2.3.4 there shall have occurred no change in applicable Indian laws, which might adversely affect the grant of the certificate of registration under Section 3 (2A) of the Insurance Act (the "**Certificate of Registration**") to the Company or which might adversely affect the terms and conditions of the "in-principle" approval;
- 2.3.5 each of CB, INAH and OBC shall have obtained all regulatory and corporate approvals required for each of them to make their, respective, investments in the equity share capital of the Company, for the issue of the Shares to each of them in the manner contemplated under this Agreement and for each of them to perform their, respective, obligations under this Agreement. Without prejudice to the generality of the foregoing, CB and OBC shall have obtained the approval of the Reserve Bank of India for incorporating the Company and for participating in the joint venture;
- 2.3.6 each of the following shall be in agreed terms:
- (i) the Articles;
  - (ii) the Technical Assistance and Services Agreement;
  - (iii) the Distribution Agreements; and
  - (iv) the first Annual Operating Plan;
- 2.3.7 the Name Protection Agreements shall have been entered into; and
- 2.3.8 the Company shall have executed and delivered a Deed of Adherence in the agreed form pursuant to which it agrees to be bound by this Agreement as if it were originally a party.

## 2.4 Responsibility of the parties

The parties jointly and severally undertake to use their reasonable endeavours to ensure that the conditions in this Clause 2 are satisfied as soon as reasonably practicable. All requests and enquiries from any government, governmental, supranational or trade agency, court or regulatory body shall be dealt with by the receiving party in consultation with the other parties and the parties shall promptly co-operate with and provide all necessary information and assistance reasonably required by such government, agency, court or body upon being requested to do so by any other party. If at any time, any party becomes aware of any circumstances that will or are likely to give rise to the non-fulfilment of any Condition Precedent, then such party shall immediately give to the other parties written particulars of any such circumstances and the parties shall then co-operate fully with a view to procuring fulfilment of the relevant Condition Precedent.

## 2.5 Non-satisfaction

- 2.5.1 The party responsible for the satisfaction of each condition in Clause 2.3 shall promptly give notice to the other parties of the satisfaction of the relevant conditions within two (2) Business Days of becoming aware of the same. If any of the conditions in this Clause 2 are not satisfied or waived by each party on or before the date falling 365 days from the date of this Agreement or such other date as the parties agree (the "**Long Stop Date**"),



this Agreement (other than Clauses 1 (Interpretation), 20 (Public Announcements), 25 (Confidentiality), 26 (Arbitration and ADR), 27 (Notices) and 30 (Governing Law)) shall lapse (subject to Clause 2.5.2) and no party shall have any claim against any other under it, save for any claims arising from breach of this Clause 2.

- 2.5.2** Prior to such lapsing, and subject to the reimbursement of the amounts referred to in Clause 2.1.3), the Company shall, and the parties shall procure that the Company shall, return to the Shareholders (in a manner acceptable to all parties) any share capital or other amounts received from the Shareholders in the most tax-efficient and appropriate manner. Such return of capital shall be effected as soon as practicable after the Long Stop Date.

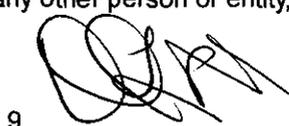
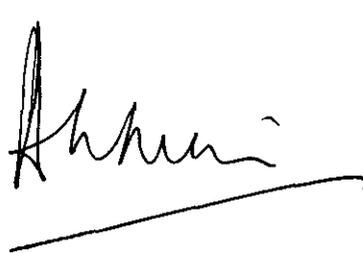
## **2.6 Warranties**

**2.6.1** Each of the Shareholders warrants to the others that, except as fairly disclosed in writing to the other prior to the execution of this Agreement:

- (i) it has the full power and authority, and has obtained the necessary corporate authorisations, to enter into and to perform its obligations under this Agreement which when executed will constitute valid and binding obligations on it in accordance with its terms;
  - (ii) the entry and delivery of, and the performance by it of, this Agreement will not result in any breach of any provision of its memorandum and articles of association;
  - (iii) as on the date of this Agreement as well as on the Completion Date, all material statutory, municipal and other licences, consents, permits and authorisations necessary (a) for the effective carrying on of the business of the Shareholder in the places and in the manner in which such business is now carried on and (b) to enter into and perform its obligations under this Agreement have been obtained and are valid and subsisting, and all material conditions applicable to any such licence, consent, permit or authorisation have been complied with in all material respects, and none of such licences, consents, permits or authorisations has been breached or, so far as a Shareholder is aware, is likely to be suspended, cancelled, refused, revoked or modified in a way which materially affects its business; and
- (iv)
- (a) it shall not, in connection with the transactions contemplated by this Agreement, or in connection with any other business transactions involving any other party, make any payment or transfer anything of value, directly or indirectly:

- (I) to any Official (including employees of a government corporation or public international organisation) or to any political party or candidate for public office; or

- (II) to any other person or entity,



if such payments or transfers would violate any applicable or relevant anti-bribery and anti-corruption laws and regulations;

- (b) no payments or transfers of value shall be made which have the purpose or effect of public or commercial bribery or acceptance of or acquiescence in extortion, kickbacks, or other unlawful or improper means of obtaining business; and
- (c) it is familiar with the provisions of all relevant anti-bribery and anti-corruption laws and regulations and that it will not violate or cause any other party to violate such laws and regulations in connection with the transactions contemplated under this Agreement. In the event that any party (the "**defaulting party**") breaches this provision, the other parties (the "**non-defaulting parties**") may suspend or terminate this Agreement forthwith and that any of such breaches shall constitute an Event of Default pursuant to Clause 15 and the provisions of Clause 15 shall apply. In the event of termination for such cause, the non-defaulting parties may also retain from, or charge to, the defaulting party an amount equal to the amount earned or to be earned by the defaulting party in respect of the transaction or matter in which the defaulting party violated or caused the violation of such laws and regulations as well as the amount of costs, fines or penalties which the non-defaulting parties are required to pay as a consequence of the acts of violation by the defaulting party.

2.6.2 The representations and warranties set out in Clause 2.6.1 above shall be deemed to continue throughout the term of this Agreement, and each Shareholder shall promptly advise the other Shareholders of any change in circumstances which may affect the continuing validity of such representations and warranties.

2.6.3 Each Shareholder shall comply with all applicable laws, rules and regulations of India or any other jurisdiction that are or may be applicable to the Company's business and the Shareholders' activities in connection with their investment in the Company, including, without limitation, any statutory or fiduciary duties to the Company which arise therefrom.

### 3 Completion

#### 3.1 Date and time

Subject to Clause 2, Completion shall take place at the registered office of the Company two (2) Business Days following fulfilment or waiver of the conditions set out in Clause 2.3, or at such other place or on such other date as may be agreed between the Shareholders.



### 3.2 Meeting of the Board

On the Completion Date, the Shareholders shall procure the holding of a Board meeting immediately to pass a resolution convening an extraordinary general meeting of the Company for the purposes set out in Clause 3.3.

### 3.3 Extraordinary general meeting

The Shareholders shall consent to short notice in respect of the extraordinary general meeting referred to in Clause 3.2 and shall attend and vote in favour of the following resolutions (in a form approved by the Shareholders):

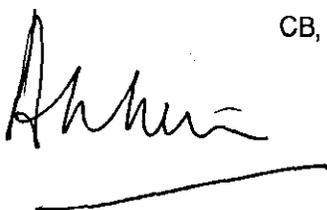
- 3.3.1 adopting the Articles in substitution for the existing articles of association of the Company; and
- 3.3.2 authorising the Directors to issue and allot Shares to the Shareholders (or their Associated Companies) in accordance with this Agreement such that, following such issue and allotment, the issued and paid up capital of the Company comprises of 200,000,000 Shares, which shall be held as follows:

Shareholder (together with Associated Companies)	Percentage ownership
CB	51
INAH	26
OBC	23

### 3.4 Shares

Once the resolutions in Clause 3.3 have been passed:

- 3.4.1 the Shareholders (or their Associated Companies) shall subscribe for, and pay for in full, the number of Shares to be subscribed by them in order to ensure compliance with Clause 3.3.2. CB and OBC shall subscribe to any such Shares at their par value and INAH shall subscribe to Shares at a price of Rs34.038 per Share.
- 3.4.2 the Shareholders shall procure that the Board meeting referred to in Clause 3.2 is reconvened and resolutions are passed:
- (i) approving the Shareholders' (or their Associated Companies') applications for Shares and allotting those Shares;
  - (ii) adopting 31 March as the Company's accounting reference date;
  - (iii) appointing the Auditors in accordance with all legal requirements; and
  - (iv) approving or ratifying the Company entering into this Agreement, the Technical Assistance and Services Agreement, the Name Protection Agreements and the Distribution Agreements, as appropriate;
- 3.4.3 the Company shall issue the Shares referred to in Clause 3.4.1 above to CB, INAH and OBC or their Associated Companies;



- 3.4.4 appointing three (3) persons nominated by CB as CB Directors (in addition to the CB Director appointed pursuant to Clause 2.1.1(v));
- 3.4.5 appointing one (1) person nominated by INAH as an INAH Director (in addition to the INAH Director appointed pursuant to Clause 2.1.1(v));
- 3.4.6 appointing one (1) person nominated by OBC as an OBC Director (in addition to the OBC Director appointed pursuant to Clause 2.1.1(v));
- 3.4.7 appointing the nominees of each of CB and INAH as Independent Directors;
- 3.4.8 CB, INAH and OBC shall together appoint the CEO;
- 3.4.9 adopting the first Annual Operating Plan;
- 3.4.10 approving and authorising the signatories of the bank accounts of the Company; and
- 3.4.11 the Distribution Agreements and the Technical Assistance and Services Agreement shall be entered into unless they have already been entered into before Completion.

**3.5 Certificate of Registration**

3.5.1 As soon as practicable, and in any event within two (2) Business Days of the Completion Date, the Company shall and the Shareholders shall procure that the Company shall:

- (i) submit to the IRDA:
  - (a) evidence, in the form of affidavits signed by the CEO and by the Auditors, of the allotment of the Shares following the receipt of the subscription monies from the Shareholders; and
  - (b) written confirmation from the Company (under the hand of the CEO) of the paid-up capital of the Company immediately following Completion and that the aggregate shareholding of each Shareholder, being the aggregate of the Shares subscribed to by each of them pursuant to Clauses 2.1.1(iv), 2.2 and 3.4.1, is as follows:

<b>Shareholder</b>	<b>Shares</b>
CB	102,000,000
INAH	52,000,000
OBC	46,000,000; and

- (ii) as soon as permitted following the delivery of the documents referred to in Clause 3.5.1(i), make all necessary applications to the IRDA for the purposes of receiving the Certificate of Registration from the IRDA, and the Company and the Shareholders shall then do all such reasonable acts, matters or things as are desirable or





necessary for the Company to obtain such Certificate of Registration as expeditiously as possible.

3.5.2 If the Company has not obtained its Certificate of Registration from the IRDA within a period of 180 days from the Completion Date, or such later date as may be agreed between the parties, this Agreement (other than Clauses 1 (Interpretation), 20 (Public Announcements), 25 (Confidentiality), 26 (Arbitration and ADR), 27 (Notices) and 30 (Governing Law)) shall lapse (subject to Clause 3.5.3) and no party shall have any claim against any other under it, save for any claims arising from breach of this Clause 3.

3.5.3 Prior to such lapsing, and subject to the reimbursement of the amounts referred to in Clause 2.1.3), the Company shall, and the parties shall procure that the Company shall, return to the Shareholders (in a manner acceptable to all parties) all share capital or other assets received from them, in the most tax-efficient and appropriate manner, such return to be effected as soon as practicable.

#### **4 The Business of the Company and branding**

##### **4.1 Conduct of the Business**

The Shareholders agree that their respective rights in the Company shall be regulated by this Agreement and the Articles. The Shareholders and the Company agree to be bound by and comply with the provisions of this Agreement which relate to them and all provisions of the Articles will be enforceable by the parties between themselves in whatever capacity. The Shareholders shall:

4.1.1 promote the best interests of the Company;

4.1.2 (so far as they lawfully can) ensure that the Company performs and complies with all of its obligations under this Agreement and the Articles; and

4.1.3 ensure that the Business is conducted in accordance with sound and good business practices and the highest ethical standards and in accordance with the Annual Operating Plan and so as to always meet the minimum Solvency Ratio required by applicable law.

##### **4.2 Promotion of the Business**

4.2.1 Unless otherwise agreed by the Shareholders, the business of the Company shall be confined to the Business.

4.2.2 The Shareholders shall procure that the Company shall have complete independence in its operations, subject to the supervisory control of the Board, and that any expansion, development or evolution of the Business in accordance with applicable law (whether to be conducted as part of or in connection with the Company's main business or ancillary to it) will only be effected through the Company or a wholly-owned subsidiary, and then only with the prior consent of the Qualifying Shareholders. If such consent is obtained, all Shareholders shall be entitled to participate in any firm or company formed for the purpose of such expansion, development or



evolution pro rata to their holdings of Shares unless all the Shareholders shall otherwise agree. If the Company is unable to take up a line of business due to the non-receipt of consent from any of the Qualifying Shareholders, then, subject to Clause 19.1, the other Qualifying Shareholders (who gave their consent to commencement of this line of business) shall be entitled to undertake such business separately and the Qualifying Shareholder who did not consent to the Company undertaking such business shall not be entitled to participate in any firm or company formed by the other Qualifying Shareholders for this purpose but, for the avoidance of doubt, it is clarified that such non-consenting Qualifying Shareholder shall, subject to Clause 19.1, be entitled to pursue such business independently or in conjunction with any third party.

**4.2.3** The Company shall use all reasonable and proper means to maintain, improve and extend the Business in accordance with the Annual Operating Plan.

### **4.3 Branding**

**4.3.1** The parties shall endeavour to ensure that the brand name of the Company shall be in a form acceptable to all of the parties from time to time, and shall initially be similar to the following:

“Canara HSBC Life, a joint venture with Oriental Bank of Commerce”.

**4.3.2** It is further agreed by the parties that the precise form and style of the brand, including any associated logo, shall be finally determined in consultation with a marketing agency to be mutually agreed between the parties, provided that the branding of the Company shall at all times comply with the rights of use granted to the Company in the Name Protection Agreements.

## **5 The Board and Board committees**

### **5.1 Role of Board and number of Directors**

The Board shall be the highest authority of the Company and shall manage the business of the Company in the best interests of the Company. The appointment and operation of the Board and its sub-committees shall be in compliance with the relevant laws and guidelines in India.

The Board shall initially be comprised of 11 Directors.

### **5.2 Appointment to reflect shareholding**

**5.2.1 Shareholder Nominees:** Eight (8) Directors will be nominated for appointment by the Shareholders in proportion to the Shareholders' shareholding (to the maximum extent possible). At Completion the Shareholders' entitlement to nominate Directors for appointment will be as follows:



Shareholder	Percentage Ownership	Number of directors
CB	51	4 (the "CB Directors")
INAH	26	2 (the "INAH Directors")
OBC	23	2 (the "OBC Directors")

**5.2.2 Independent Directors:** Two (2) Directors shall be designated as Independent Directors.

Each Shareholder holding (together with its Associated Companies) 25 per cent. or more of the Shares will be entitled to nominate for appointment one Independent Director.

**5.2.3 CEO:** The CEO, who shall be the eleventh Director, will be appointed in accordance with Clause 8 (Management Expertise). If required by the Act, the CEO will hold office as the wholetime director of the Company.

**5.2.4 Reconstitution of the Board:** If OBC (together with its Associated Companies) holds twenty five (25) per cent. of the Shares following the exercise of the option referred to in Clause 12.1.5, the Board shall be reconstituted as follows:

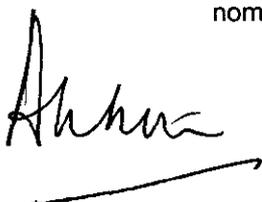
- (i) The total number of Directors shall increase to twelve (12);
- (ii) the number of Directors (other than Independent Directors) that CB shall be entitled to nominate for appointment shall be reduced by one (1);
- (iii) the number of Directors (other than Independent Directors) that INAH shall be entitled to nominate for appointment shall be increased by one (1);
- (iv) the number of Directors to be designated as Independent Directors shall increase to three (3); and
- (v) OBC shall be entitled to nominate for appointment the third Independent Director.

### 5.3 Removal of Directors

A Director (including an Independent Director) may only be removed by the Shareholder that nominated the Director for appointment, and in such event, if the relevant Director does not resign from his office, the Shareholders shall procure that the Company promptly removes the relevant Director(s) from their position(s). The appointing Shareholder can nominate for appointment another Director in his or her place.

### 5.4 Obligation of Parties

The parties agree to exercise their voting and other rights to give effect to any nominations or notices to remove pursuant to this Clause 5.





## 5.5 Directors and variations in shareholdings

- 5.5.1 The parties agree that the rights of CB, INAH and OBC to appoint Directors to the Board shall be adjusted to the extent that any third parties become Shareholders or to the extent that the proportionate shareholding of the Shareholders is altered pursuant to this Agreement.
- 5.5.2 If a Shareholder ceases to be a Qualifying Shareholder, it shall not be entitled to appoint any Director. If that Shareholder subsequently becomes a Qualifying Shareholder, it shall again be entitled to appoint Directors in accordance with this Clause 5.

## 5.6 Chairman

- 5.6.1 The Chairman of the Board shall be appointed for a three-year term. The first Chairman of the Board shall be appointed by CB from amongst the CB Directors appointed pursuant to Clause 5.2. Subsequent Chairmen shall be appointed by a majority of the Directors. All nominations for the post of Chairman shall be made by CB after consultation with the other Qualifying Shareholders. If the Chairman is not present at any Board meeting, the Directors present may appoint any one of their number to act as Chairman for the purpose of the meeting.
- 5.6.2 The Chairman shall be non-executive and shall be entitled to take the chair at all meetings of the Board and at all Shareholders' meetings. In the event of an equality of votes at a Board or Shareholders' meeting, the Chairman shall have a second or casting vote.

## 5.7 Directors and their alternates

- 5.7.1 Each Qualifying Shareholder shall have a right but not an obligation to recommend for appointment an alternate (an "**Alternate Director**") for each Director (the "**Original Director**") appointed by it in accordance with the provisions of the Act. Upon such recommendation being made, the Board will appoint such nominee as soon as practicable to act for the Original Director during his absence for a period of not less than three (3) months from the State in which the meetings of the Board are ordinarily held. An Alternate Director appointed under this Clause 5.7 shall not hold office for a period longer than that permissible to the Original Director in whose place he has been appointed and shall vacate office if and when the Original Director returns to that State. If the term of office of the Original Director is determined before he so returns to that State, any provisions in the Act for the automatic reappointment of any retiring Director, in default of another appointment, shall apply to the Original Director and not to the Alternate Director. The act of an Alternate Director acting for the Original Director will be deemed to be the act of the Original Director. Upon the appointment of the Alternate Director, the Company shall, and the parties shall cause the Company to, ensure compliance with the provisions of the Act, including by filing necessary forms with the Registrar of Companies. The Alternate Director shall be entitled to receive notice of a meeting of the Board or a committee thereof, along with all relevant papers in connection therewith



and to attend and vote thereat in place of the Original Director and generally to perform all functions of the Original Director in his absence.

5.7.2 The Directors (including the alternates) nominated by any Shareholder shall not be persons who are directors or employees of any Competitor or any Associated Company of a Competitor.

5.7.3 In the event that a Director ceases to hold office by virtue of death, resignation or for any other reason, then the Shareholder who nominated that Director shall be entitled to nominate another Director in his or her place. Each Shareholder shall exercise all its rights and powers (including, unless prohibited by law, their rights as or in respect of Directors) and cause the Board to forthwith (and in any event within seven (7) days of such nomination, or at the next Board meeting, whichever is earlier) appoint such person as a Director of the Company.

## 5.8 Appointments of directors by Shareholders

The Shareholder who wishes to suggest the name of a candidate as nominee for appointment on the Board shall take reasonable steps to ensure that its nominee is able to perform his duties competently.

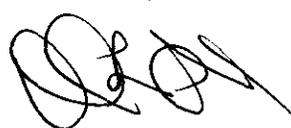
## 5.9 Board meetings

5.9.1 Unless the Act requires meetings of the Board to be held on a more regular basis, Board meetings shall be held at least four times a year and at intervals of not more than three (3) months between two (2) Board meetings. A Board meeting may be called by: (i) the Chairman of the Board; or (ii) jointly by any three (3) Directors, in each case, by giving a notice in writing to the Company Secretary specifying the date, time and agenda for such requested Board meeting. At least 14 clear days' written notice shall be given to each of the Directors of all Board meetings (except if there are exceptional circumstances or the majority of Directors (including at least one (1) CB Director, one (1) INAH Director and one (1) OBC Director, not being an Independent Director nominated by any one of them) agrees to shorter notice).

5.9.2 Each notice of a meeting shall:

- (i) specify a reasonably detailed agenda;
- (ii) be accompanied by any relevant papers; and
- (iii) be sent by courier or registered post.

5.9.3 The quorum at a Board meeting shall be four (4) Directors, provided that a quorum shall not be deemed to be constituted unless such four Directors include at least one (1) CB Director, one (1) INAH Director and one (1) OBC Director (not being an Independent Director nominated by any one of them) present at the time when the relevant business is transacted. For the avoidance of doubt, it is clarified that a quorum will be deemed to be constituted only if these persons continue to be present at the beginning of, and throughout, each meeting. If a quorum is not present within half an



hour of the time appointed for the meeting or ceases to be present, the Director(s) present shall adjourn the meeting to a specified place and time at least seven but no more than 14 Business Days after the date of the original meeting. Notice of the adjourned meeting shall be given by the secretary of the Company. If a quorum is not present at such adjourned meeting, then the Directors present shall adjourn the meeting to a time and place not more than three Business Days after the date of the adjourned meeting. The Directors present at the second adjourned meeting (not being less than one-third of the Directors) shall constitute a quorum and shall be entitled to transact business thereat provided that matters listed at Clause 6.2 below shall not be taken up at such meeting.

- 5.9.4** Board meetings shall be chaired by the Chairman.
- 5.9.5** At any Board meeting every Director shall have one (1) vote.
- 5.9.6** All business arising at any Board meeting shall be determined by resolution passed by a majority of Directors present, provided that, where the resolution relates to any of the matters listed in Clause 6.2, such majority shall comprise at least one (1) CB Director, one (1) INAH Director and one (1) OBC Director (not being the Independent Director nominated by any one of them).
- 5.9.7** In the case of an equality of votes, the Chairman shall have a second or casting vote.
- 5.9.8** To the extent permitted by Indian law, the Directors shall be deemed to meet together if, being in separate locations, they are nonetheless linked by conference telephone or other communication equipment which allows those participating to hear and speak to each other, and a quorum in that event shall be at least one (1) CB Director, one (1) INAH Director and one OBC Director (not being the Independent Director nominated by any one of them) so linked. Such a meeting shall be deemed to take place at the registered office of the Company or at the place where the maximum number of Directors is physically present.
- 5.9.9** Subject to the provisions of the Act and Clause 5.9.6, and except in the case of a resolution which the Act requires specifically to be passed in a Board meeting, a written resolution circulated to all the Directors whether in India or overseas and signed by a majority of them as approved, shall (subject to compliance with the relevant requirements of the Act in relation to circular resolutions) be as valid and effective as a resolution duly passed at a meeting of the Board or called and held in accordance with this Agreement and the Articles; provided however that, if the resolution proposed to be passed by circulation pertains to a matter listed in Clause 6.2, such circular resolution shall be valid and effective only if it has received the consent of at least one (1) CB Director, one (1) INAH Director and one (1) OBC Director (not being the Independent Director nominated by any one of them).



## 5.10 Committees of Directors

- 5.10.1 The Board shall establish an audit committee, a remuneration committee, an investment committee and other specific committees as deemed necessary by the Board from time to time or as required by Indian laws and regulations.
- 5.10.2 The duties and powers of such committees shall be as defined by the Board and shall be in compliance with the relevant laws and regulations. All committees and sub-committees of the Board, whether formal or informal, shall be subordinated and ultimately responsible to the Board.
- 5.10.3 Each committee shall comprise of at least one (1) CB Director(s), one (1) INAH Director(s) and one (1) OBC Director(s). The presence of each of the aforesaid Directors shall be required to constitute a quorum at any meeting of a committee. Each committee shall have such powers and duties as are delegated to it by the Board.
- 5.10.4 The voting for Board committee meetings shall be the same as for Board meetings.

## 5.11 Directors retiring by rotation

Save and except three (3) Directors, one each to be designated by CB, INAH and OBC, respectively, all Directors of the Company shall be liable to retire by rotation in accordance with the procedure set out in the Act. Upon the retirement of a Director nominated by a Shareholder, only that Shareholder only shall be entitled to nominate a replacement (who may be the Director who is retiring). Subject to applicable law, the other Shareholders shall then vote their Shares, or otherwise procure that the Company appoints such nominee as a Director in place of the retiring Director.

## 6 Reserved matters

### 6.1 Shareholder reserved matters - limitations on the Board

- 6.1.1 Subject to any additional requirements imposed by the Act and notwithstanding anything contained in this Agreement, the Company shall ensure, and the Shareholders shall procure, that no action is taken or resolution passed by the Company in respect of the following matters (the "**Shareholder Reserved Matters**"), without the prior consent of all Qualifying Shareholders (such consent to be given in writing) or, if the matter is the subject of a resolution at any general meeting of the Shareholders, unless each of the Qualifying Shareholders votes in favour of such matter at such general meeting:
- (i) any change to its memorandum and Articles (including change in the number of members of the Board);
  - (ii) the appointment, reappointment and removal of the Auditors;
  - (iii) any change of (a) the name or (b) the registered office of the Company and alteration of the provisions of the memorandum of association with respect to the same;



- (iv) any change to the accounting reference date (including but not limited to the financial year) or accounting policies;
- (v) alteration of the minimum Solvency Ratio;
- (vi) the presentation of any petition for winding-up;
- (vii) any change in the share capital or the creation, allotment or issue of any shares or of any other security or the grant of any option or rights to subscribe for or to convert any instrument into such shares or securities;
- (viii) any reduction of the share capital or variation of the rights attaching to any class of shares or any redemption, purchase or other acquisition by the Company of any shares or other securities of that company;
- (ix) the entry into of any joint venture, partnership, consortium or other similar arrangement;
- (x) the appointment, removal and modification in the conditions of employment of the company secretary or any Director of the Company (other than the appointment or removal of a Director pursuant to Clause 5.3);
- (xi) the sale or disposal of the whole or a substantial part of the undertaking of the Company or any consolidation or amalgamation with any other company;
- (xii) the cessation of any business operation;
- (xiii) any material change to the nature or geographical area of the Business or carrying on any business other than the Business;
- (xiv) the incorporation of a new subsidiary, an amalgamation or demerger of the Company or the acquisition of any share capital or other securities of any body corporate;
- (xv) the making of any loan or advance to any person, firm, body corporate or other business or the giving of any guarantee or indemnity other than in the normal course of its business;
- (xvi) determining the timing, pricing and place/stock exchange for an initial public offering of the Company.

**6.1.2** Prior written notice of twenty one (21) days for a general meeting of the Shareholders shall be given to all Shareholders; provided however that any general meeting of the Shareholders may be held upon shorter notice in accordance with the provisions of the Act and subject to the prior written approval of each Shareholder. All Shareholders shall use all reasonable endeavours to consent to short notice in respect of any extraordinary general meeting convened to address a Shareholder Reserved Matter. Such meetings shall be held in accordance with the provisions of the Act.

**6.1.3** The quorum at a general meeting of Shareholders shall be five (5) Shareholders present in person or by proxy, provided that a quorum shall





not be deemed to be constituted unless such five (5) Shareholders include the authorised representatives of each of CB, INAH and OBC who are present at the time when the relevant business is transacted. If a quorum is not present within half an hour of the time appointed for the meeting or ceases to be present, the meeting shall be adjourned to a specified place and time at least seven but no more than fourteen<sup>14</sup> Business Days after the date of the original meeting. Notice of the adjourned meeting shall be given by the secretary of the Company. If a quorum is not present at such adjourned meeting, then the Shareholders present shall adjourn the meeting to a time and place not more than three (3) Business Days after the date of the adjourned meeting. The Shareholders present at the second adjourned meeting (not being less than five (5) Shareholders) shall constitute a quorum and shall be entitled to transact business thereat provided that matters listed at Clause 6.1.1 shall not be taken up at such meeting.

- 6.1.4 The parties agree that at any general meeting duly convened, they shall respectively be present in person through their duly authorised representatives appointed in accordance with the applicable provisions of the Act, and shall vote at such general meeting in accordance with this Agreement. If any resolution is proposed contrary to the provisions of this Agreement, the parties undertake that they, their representatives, and proxies and agents representing them shall vote against such resolution.

## 6.2 Board Reserved Matters - limitations on management

The Shareholders shall also procure so far as they can that no action is taken or resolution passed by the Company at any meeting of the Board or a committee thereof or by resolution by circulation in respect of the following matters (the "**Board Reserved Matters**"), without the prior consent of at least one (1) Director nominated by each of CB, INAH and OBC (not being an Independent Director) or, if any of CB, INAH or OBC ceases to be entitled to nominate a Director for appointment pursuant to Clause 5, a Director nominated by such of them as are entitled to nominate a Director pursuant to Clause 5:

- 6.2.1 the appointment and removal of the CEO (based on recommendation from INAH), the COO, the CFO and the Chief Actuary;
- 6.2.2 the formation of any committee of the Board and the role and powers of such committees;
- 6.2.3 the approval of all financial statements of the Company, including annual statements audited to IFRS;
- 6.2.4 any substantial transaction or material contract of a value equivalent to or exceeding 10 per cent. of the Net Asset Value of the Company, including but not limited to capital investment and financing;
- 6.2.5 agreements or arrangements to be entered into with a Shareholder or any of its Associated Companies or any of their respective directors, officers and their family members, except insurance policies issued by the Company to such persons in the ordinary course of business in a manner consistent with the Company's normal underwriting practice;



- 6.2.6 declaration or payment of any dividend or other distribution to Shareholders and the adoption of, or any amendment to, the dividend policy;
- 6.2.7 the acquisition of any assets or property, or entering into any commitment to incur capital expenditure, in each case, of a value exceeding 10 per cent. of the Company's Net Asset Value;
- 6.2.8 making calls on Shareholders in respect of money unpaid on their Shares;
- 6.2.9 the commencement or settlement of any litigation, arbitration or other proceedings which is material in the context of its business or which involves a member or director (or former member or director); for these purposes, a monetary claim shall be deemed to be material where the amount involved is in excess of five (5) per cent. of the Company's Net Asset Value on a cumulative basis in any financial year;
- 6.2.10 issuance of debentures, loan stock or subordinated loans; and
- 6.2.11 approval of the Annual Operating Plan and the Strategic Plan.

Subject to applicable law, Board approval shall not be required for any Board Reserved Matter if it has already been approved by the Shareholders in accordance with this Clause 6.

### 6.3 Related transactions

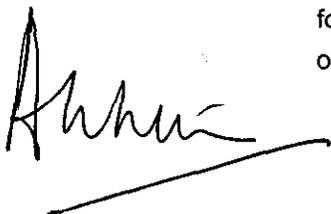
A series of related transactions shall be construed as a single transaction, and any amounts involved in the related transactions occurring within a 12-month period shall be aggregated to determine whether a matter is a Shareholder Reserved Matter or a Board Reserved Matter.

## 7 Budgets and financial information

### 7.1 Information to be prepared

The Company shall prepare and submit to the Board and to all Qualifying Shareholders the following information as soon as possible and no later than the dates/times set out below:

- 7.1.1 the unaudited results of the Company for the previous financial year within 25 Business Days of the end of each financial year;
- 7.1.2 the unaudited results of the Company for the six (6) month period ending on 30 September each year, by 31 October of each year;
- 7.1.3 Audited Accounts or audited consolidation returns for the previous financial year within six (6) weeks of the end of each financial year;
- 7.1.4 the Annual Operating Plan for the Company forthwith upon its having been approved by the Board;
- 7.1.5 quarterly unaudited management accounts including: (i) a detailed profit and loss account, balance sheet and cash flow statement and cash flow forecast for the next three months; (ii) an analysis of subscriptions and other revenue; (iii) a review of the budget including a reconciliation of



results with revenue and capital budgets; and (iv) a statement of the source and application of funds, such information to be provided in a format required by each Qualifying Shareholder within 20 Business Days after the end of each quarter; and

7.1.6 such further information as any Qualifying Shareholder may reasonably require relating to the Business or financial condition of the Company.

## 7.2 Form of financial statements

All financial statements of the Company shall be prepared in accordance with Indian GAAP, IFRS, embedded value accounting and in accordance with any rules and regulations relevant to the insurance sector in India or as may be required for a Qualifying Shareholder's (or any of its Associated Company's) reporting purposes.

## 7.3 Approval of Annual Operating Plan

7.3.1 The Annual Operating Plan for a financial year shall be approved by the Directors at their final Board meeting of the preceding financial year.

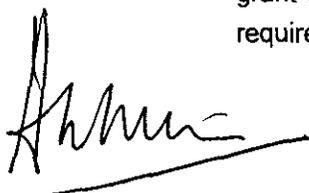
7.3.2 The Company shall (and the Shareholders shall procure that the Company shall) prepare and deliver to the Directors and to all Qualifying Shareholders a draft Annual Operation Plan for the forthcoming financial year at least 45 days before the date of the last scheduled Board meeting for such preceding financial year.

7.3.3 The Directors and the Qualifying Shareholders shall be entitled to submit to the Company (with a copy to the other Qualifying Shareholders) any comments they may have on the draft Annual Operating Plan within 20 days of receiving the draft from the Company. The Company shall, if necessary, then prepare a revised draft Annual Operating Plan, taking into account any comments from the Directors and Qualifying Shareholders that the Company deems appropriate, and submit such revised draft to the Board for approval.

7.3.4 The Board shall review, and, if deemed appropriate, amend the draft Annual Operating Plan submitted to it, and approve it as the Annual Operating Plan for the forthcoming financial year prior to the commencement of such financial year.

## 7.4 Shareholders' right to appoint accountants

For the purposes of enabling the Qualifying Shareholders and their respective Associated Companies to comply with their international regulatory filing obligations, the Qualifying Shareholders shall, at all times, be entitled to, at their own expense, to request the Company to appoint a firm of chartered accountants to conduct an audit of the Company. The Qualifying Shareholders shall procure that the Company shall make such appointment as soon as practicable after the Company receives such request. The Qualifying Shareholders and the Company shall, and the Company shall ensure that its officers, employees and senior management shall, grant to such accountants access to all information of the Company that they may require for the purposes of preparing their reports and completing their audit in a



timely manner and shall otherwise give all necessary assistance to such accountants to enable them to conduct and complete such audit.

## **8 Management expertise**

### **8.1 Recommendations for the appointment of the CEO, the COO, the CFO and the Chief Actuary**

INAH shall provide recommendations to the Board, from time to time, for the appointment of the CEO, COO, CFO and the Chief Actuary provided that the nominees for the Chief Actuary shall only be persons who are qualified to act as actuaries of the Company in accordance with the rules stipulated by the IRDA from time to time. Such appointments are subject to the approval of the Board.

### **8.2 Other appointments required under Indian law**

The Shareholders shall co-operate to ensure and procure that the Board will make such appointment (including appointment to the Board) of such other senior officers that the Company may be required to appoint by Indian laws and regulations from time to time.

### **8.3 Technical assistance**

INAH shall, for a period of five (5) years from the Completion Date (unless INAH and the Company agree to extend this period) provide certain technical assistance and services to the Company in the following manner:

**8.3.1** Such technical assistance and services to the Company will be provided in accordance with the terms of the Technical Assistance and Services Agreement and shall include but not be limited to advising on product development, risk management, distribution management, re-insurance, IT services and providing training of employees and marketing.

**8.3.2** INAH shall also provide guidance to management on the operation of the Company in accordance with INAH's global standards, policies and procedures and in compliance with all relevant laws and regulations of India.

### **8.4 Duties of the CEO**

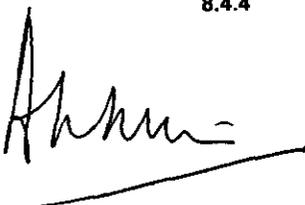
Day-to-day management of the Company will be entrusted to the CEO subject to:

**8.4.1** the requirements of the Act and other applicable law;

**8.4.2** control and direction, policies and guidelines as may be issued from time to time by the Board;

**8.4.3** an overriding requirement that Board Reserved Matters and Shareholder Reserved Matters be approved by the Board and the Shareholders in accordance with Clauses 6.1.1 and 6.2.1; and

**8.4.4** the various other specific terms and requirements of this Agreement.



## 9 Distribution Agreements

### 9.1 Exclusivity

9.1.1 Each of the parties agrees that, to the extent set out in the Distribution Agreements, until the fifth anniversary of the Completion Date it shall not (and shall procure that none of its Associated Companies shall) distribute personal life insurance products of any insurer in India other than the Company, except life insurance products that the Company does not manufacture and distribute.

9.1.2 The restrictions in Clause 9.1.1 shall not apply to, and shall not prevent, INAH and its Associated Companies from continuing its business of providing non-life insurance brokerage services in India, as such business is currently carried on, or as it may be carried on in the future in any manner permitted by the laws of India that regulate the business of insurance brokerage or the business to be carried on by duly licensed and registered companies to be established by CB and/or OBC for the purposes of carrying on the business of non-life insurance brokerage. For the avoidance of doubt, it is further clarified that the aforesaid broking companies shall not:

- (i) engage, set up, promote, finance, invest or otherwise participate in the Business;
- (ii) enter into any agreement or arrangement relating to the Business;
- (iii) provide any know-how or technical assistance to any person in relation to the Business; or
- (iv) engage in or agree to engage in any other act or thing analogous to the foregoing that would prejudice the reputation and/or standing of the Company and/or its business.

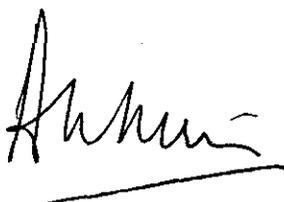
### 9.2 Other Distribution arrangements

Notwithstanding the execution of the Distribution Agreements, the Company shall, on an on-going basis, explore other options for the effective distribution of the products of the Company through one or more tied agencies operated by the Company, agency agreements with third parties as well developing a sales force (including insurance agents) within the Company to undertake direct selling through any available media; and the Shareholders shall, in good faith, provide appropriate assistance and co-operation to the Company in connection with such marketing and distribution initiatives.

## 10 Dividend distribution policy

### 10.1 Distribution of net profit

10.1.1 The annual general meeting of the Company at which Audited Accounts are laid before the Shareholders must be held not later than 90 days after the end of the relevant financial year.



- 10.1.2 The Auditors shall be instructed to report (at the expense of the Company) the amount of the profits available for distribution by the Company (taking account of any regulatory requirements including the Solvency Ratio) at the same time as they sign their report on the Audited Accounts.
- 10.1.3 The Company shall distribute to the Shareholders by way of a dividend such percentage as the Board determines of the Company's profits as are lawfully available for distribution in each financial year as certified by the Auditors subject to the Board making reasonable provisions and transfers to reserves.
- 10.1.4 If the conditions in Clause 10.2 are not met, or would not be met if the relevant distribution were made, then the Company shall distribute the maximum amount of its profits which may be distributed without breaching those conditions.

## 10.2 Conditions for distribution of net profit

Distribution of profits in accordance with this Clause 10 may not be made if:

- 10.2.1 the distribution would result in the Solvency Ratio reducing below 150 per cent or such higher or lower percentage stipulated by the IRDA as the minimum Solvency Ratio for the Company, and adopted by the Company;
- 10.2.2 the distribution would result in a breach of any covenant or undertaking given by the Company to any lender or would, in the opinion of the Board, be likely to do so within the following 12 months; or
- 10.2.3 the Board resolves that the distribution is materially prejudicial to the interests of the Company having regard to:
- (i) implementation of the investment programme approved in the Annual Operating Plan, the Strategic Plan or otherwise;
  - (ii) the trading prospects of the Company; and
  - (iii) the need to maintain the sound financial standing of the Company.

## 11 Funding for the Company

### 11.1 Additional funding

The Shareholders acknowledge that, in addition to the share capital to be subscribed under Clause 3, the Company will require further funding to fund its projected cash requirements under the Annual Operating Plan and the Strategic Plan and to maintain the Solvency Ratio.

### 11.2 External funding

If the Board determines that the Company requires additional funding, it shall, if appropriate based on the requirement for such additional funding, first use reasonable endeavours, in consultation with the Shareholders, to arrange a facility



with third parties which it considers suitable, on the best terms reasonably available in the open market without recourse to the Shareholders.

### 11.3 Shareholder funding

- 11.3.1 If the Board determines that the Company will be unable to meet its cash requirements through the Company's internal cash resource, or if it is inappropriate to obtain third-party finance or if the Company has been unable to arrange third-party finance (in circumstances where such third-party finance was appropriate), then the Board shall give each Qualifying Shareholder a written notice calling a meeting of the Qualifying Shareholders to determine the manner in which such funding may be obtained (the "**Shareholder Funding Meeting**")
- 11.3.2 If the Shareholder Funding Meeting is concluded with an agreement amongst the Qualifying Shareholders in relation to the injection of additional capital into the Company to meet such funding requirements, the Board shall, promptly following the conclusion of the Shareholder Funding Meeting send each Qualifying Shareholder a notice (the "**Funding Notice**") setting out the amount of share capital required from each Shareholder. The terms and form of such Shareholder funding shall be the same for all the Shareholders
- 11.3.3 The provisions of Clause 14.1 shall apply if the Shareholder Funding Meeting concludes without agreement amongst the Qualifying Shareholders in relation to how the additional funds required by the Company will be provided to it.
- 11.3.4 Following the receipt of a Funding Notice, each Shareholder shall contribute (or procure that there is contributed by a third party nominee approved by all the Qualifying Shareholders) the required share capital within 30 Business Days (or longer if agreed by the Shareholders) of the later of (i) receipt by it of the Funding Notice (which has not been disputed) and (ii) the date on which the Company and the Shareholders have received all necessary corporate and/or regulatory authorisations required for the Shareholders to provide, and the Company to receive, as appropriate, such additional funding.
- 11.3.5 All additional funding to be contributed by the Shareholders in accordance with this Clause 11 shall be contributed by each Shareholder in proportion to its shareholding in the Company.

### 11.4 Failure to subscribe

- 11.4.1 If a Shareholder(s) (the "**Non-Subscribing Shareholder(s)**") does not provide the additional capital as required by the Board pursuant to a Funding Notice, which has not been disputed, the other Qualifying Shareholder(s) may either (without prejudice to any other remedy available to it), subject to applicable law and regulations, and in particular those relating to FDI in the Insurance Sector, either:



- (i) subscribe (on a *pro rata* basis) for the additional funding which the Non-Subscribing Shareholder should have subscribed for in whole or in part; or
- (ii) with the consent of any other Qualifying Shareholder(s) (other than any Qualifying Shareholder who is also a Non-Subscribing Shareholder), and subject to obtaining all necessary approvals, nominate a third party to provide the additional funding (or the relevant portion of it on a *pro rata* basis) which the Non-Subscribing Shareholder(s) should have provided; or
- (iii) declare that an Event of Default has occurred in relation to the Non-Subscribing Shareholder, in which case, the provisions of Clause 15 (Default) shall apply.

11.4.2 Following the exercise by any other Qualifying Shareholder(s) of its rights under Clauses 11.3 and 11.4, that Shareholder's shareholding in the Company shall increase or, as appropriate, the third party designee will acquire an interest in the Company, corresponding to the amount of additional funding provided by the Shareholder or third party, as appropriate, and the shareholding of the Non-Subscribing Shareholder shall reduce correspondingly.

## 12 Change in FDI in the Insurance Sector

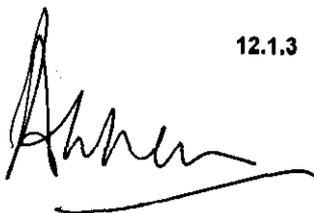
### 12.1 Right to increase holding

12.1.1 If there is a change in the rules relating to FDI in the Insurance Sector which permits a higher limit of foreign ownership in the Company and which change (including any ancillary condition) is in form and substance satisfactory to INAH (acting reasonably), then INAH shall be entitled to increase its shareholding in the Company up to the Increased INAH Shareholding Percentage by either:

- (i) subscribing for new Shares in the Company (the "**Subscription Option**"); or
- (ii) purchasing Shares from CB and OBC or their Associated Companies (if Shares have been transferred from CB and OBC pursuant to Clause 13.2 (Transfers to Associated Companies)) (the "**Purchase Option**").

12.1.2 If INAH proposes to increase its shareholding in the Company, it shall send a written notice within the Increase Exercise Period (an "**Increase Notice**") to the other Shareholders, indicating that INAH proposes to increase its shareholding and indicating whether INAH proposes to exercise the Subscription Option or the Purchase Option. The decision to exercise either the Subscription Option or the Purchase Option by INAH shall be made in consultation with the other parties. The Increase Notice shall remain valid for the duration of the Increase Exercise Period.

12.1.3



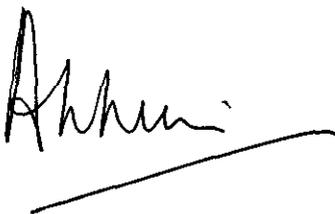
- (i) If INAH elects to exercise the Subscription Option, the Company and the Shareholders shall, and shall use all reasonable endeavours to procure that any necessary third party shall, execute such documents and do such acts and things (including convening and holding all requisite Board and Shareholder meetings (and voting in favour of the relevant resolutions at such meetings) and making any necessary applications to regulatory authorities in India) as may be required or necessary to enable INAH to subscribe for such additional number of Shares (the "**Subscription Shares**") to increase its shareholding in the Company to the Increased INAH Shareholding Percentage and such that, following such subscription, the shareholding structure of the Company will be as set out in Clause 12.1.4(i).
- (ii) The Subscription Shares shall be issued to INAH at the Subscription/Purchase Price.

#### 12.1.4

- (i) If INAH elects to exercise the Purchase Option then the Shareholders (other than INAH) (or their, respective, Associated Companies) shall sell, and INAH shall purchase, such number of Shares from such Shareholders (collectively, the "**Purchase Shares**"), in such proportions as may be agreed between the Shareholders (other than INAH), such that, following such sale and purchase, INAH's shareholding in the Company is equal to the Increased INAH Shareholding Percentage and the remaining fifty-five (55) per cent. of the Shares are held by CB and OBC in such proportions as may be agreed between them (subject to OBC not owning more than twenty-five (25) per cent. of the Shares), and advised to the Company prior to the lapse of the Increase Notice.
- (ii) The purchase price for the Purchase Shares shall be the Subscription/Purchase Price.

#### 12.1.5

- (i) If INAH issues an Increase Notice, OBC shall also have the right, but not the obligation, to increase its shareholding in the Company to twenty-five (25) per cent., such increase to be effected in the same manner that INAH has elected to increase its shareholding under the Increase Notice
- (ii) If OBC proposes to increase its shareholding it shall send a written notice (the "**OBC Increase Notice**") to the other Shareholders indicating that it proposes to increase its shareholding in the Company, such OBC Increase Notice to be issued within ten (10) Business Days of the date of the receipt by OBC of the Increase Notice.
- (iii) The provisions of Clause 12 shall apply *mutatis mutandis* to the subscription or purchase of Shares by OBC to enable it to increase its shareholding pursuant to the OBC Increase Notice except that



OBC shall not be obliged to sell any Shares to INAH under the Purchase Option, and CB shall be obliged to sell Shares to each of INAH and OBC to enable them to increase their shareholding in the manner contemplated by this Clause 12.

## 12.2 Shareholder Put Option

- 12.2.1 Without prejudice to the rights of INAH referred to in Clause 12.1, following a change in the rules relating to FDI in the Insurance Sector referred to in Clause 12.1, which change (including any ancillary conditions) is in both form and substance satisfactory to INAH, CB and OBC (the "**Selling Shareholders**") shall each have an option (their respective "**Put Option**" and, together, the "**Put Options**") to require INAH to purchase such number of their respective Shares, in the proportion that the Selling Shareholders may agree (and, failing such agreement, in the proportion that the Shares held by the Selling Shareholders bear to each other), such that, following the exercise of the Put Options, INAH's shareholding in the Company would be equal to the Increased INAH Shareholding (or, subject to any limits imposed by the rules relating to FDI in the Insurance Sector, such higher percentage as may be agreed between the parties). The exercise of each Put Option shall be subject to the following conditions set out in this Clause 12.2.
- 12.2.2 A Put Option shall be exercisable at any time within 90 Business Days after the expiry of the Increase Exercise Period ("**Put Option Exercise Period**"), provided that no Increase Notice has been issued during the Increase Exercise Period, by written notice given by a Selling Shareholder (the "**Put Option Notice**"). A Put Option Notice shall be irrevocable, shall specify the number of Shares proposed to be sold by the relevant Shareholder, which shall not be less than the full number of Shares of that Shareholder calculated in accordance with Clause 12.2.1 (the "**Put Option Shares**"), and shall be valid for a period of 60 Business Days following the determination of the Fair Value in accordance with Clause 16.
- 12.2.3 The price payable to each Shareholder for its Put Option Shares shall be the Subscription/Purchase Price (the "**Put Option Price**") for those Put Option Shares calculated in accordance with Clause 12.3.

## 12.3 Subscription/Purchase Price

The Subscription/Purchase Price of the Subscription Shares, Purchase Shares or Put Option Shares, as appropriate, shall be the higher of (i) the Embedded Value of the Company attributable to the Subscription Shares, Purchase Shares or Put Option Shares, as appropriate, and (ii) the Fair Value of the Subscription Shares, Purchase Shares or Put Option Shares, as appropriate, determined in accordance with Clause 16.



## 12.4 Transfer of Shares

12.4.1 Completion of the transfer of the Purchase Shares or Put Option Shares shall be completed within 30 Business Days (or such later period as may be agreed between the Shareholders) of the latest to occur of:

- (i) the date of expiry of the Increase Notice or Put Option Notice;
- (ii) the date on which the Company and the Shareholders have received all necessary corporate and/or regulatory approvals required to effect the transfer of the Purchase Shares or Put Option Shares; and
- (iii) the date of the satisfaction or waiver of all Permitted Conditions, at such reasonable time and place as the Shareholders agree or, failing which, at the registered office of the Company.

12.4.2 The transfer of the Purchase Shares and the Put Option Shares shall be completed in accordance with Clause 17 (other than Clause 17.11).

## 12.5 Time periods

The parties agree and acknowledge that, unless the parties otherwise agree:

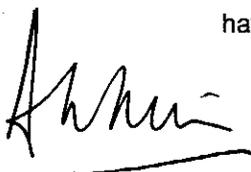
12.5.1 the Subscription Option, the Purchase Option and the Put Option shall lapse, and INAH shall not be entitled to exercise the Subscription Option or the Purchase Option and CB and OBC shall not be entitled to exercise the Put Option, after the expiry of the Increase Exercise Period or the Put Option Exercise Period, as appropriate;

12.5.2 an Increase Notice and a Put Option Notice may only be issued during the Increase Exercise Period and Put Option Exercise Period, respectively; and

12.5.3 INAH shall confirm whether the change in the rules relating to FDI in the Insurance Sector is in form and substance satisfactory to INAH within 30 Business Days of the implementation of the change, and, if INAH fails to issue such notice within the aforesaid period, the change shall be deemed to be in form and substance satisfactory to INAH (this 30 Business Day Period being referred to as the "**Change in Law Period**").

## 12.6 Cancellation of Options

INAH shall have the right to relinquish its entitlement to the Subscription Option and the Purchase Option and revoke its grant to CB and OBC of the Put Option by serving a notice in writing (the "**Cancellation Notice**") to CB and OBC, which right may be exercised at any time prior to the implementation of any change in rules relating to FDI in the Insurance Sector referred to in this Clause 12. On and from the date of the Cancellation Notice, each of the Subscription Option, the Purchase Option and the Put Option shall lapse simultaneously, and none of INAH, CB or OBC shall be entitled to exercise, as appropriate, the Subscription Option, the Purchase Option or the Put Option referred to in this Clause 12. Accordingly, this Clause 12 and any other provisions in this Agreement related to the Subscription Option, the Purchase Option and the Put Option (other than Clause 12.8) shall be deemed to have been severed from this Agreement, shall cease to be effective and shall be of



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no force and effect, but without affecting in any way the remaining provisions of this Agreement.

## 12.7 Maximum Consideration

12.7.1 The parties agree and acknowledge that notwithstanding anything to the contrary in this Clause 12, if the Subscription/Purchase Price or the Put Option Price for all Shares subject of an Increase Notice or a Put Option Notice is greater than the Rs equivalent of USD250,000,000, then INAH shall acquire the Subscription Shares, Purchase Shares or Put Option Shares only if INAH receives all necessary statutory and corporate approvals to acquire such Subscription Shares, Purchase Shares or Put Option Shares at the relevant Subscription/Purchase Price or, as the case may be, Put Option Price. For this purpose necessary statutory and corporate approvals shall include the concurrence, by resolution of its board of directors, of HSBC Holdings plc. INAH shall take all necessary steps as may be required to obtain such statutory and corporate approvals, it being acknowledged that the concurrence of HSBC Holdings plc shall be determined by its board of directors, at its absolute discretion.

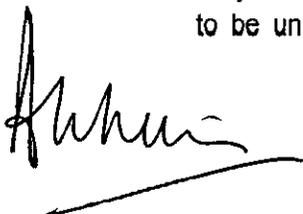
12.7.2 In order to facilitate the receipt of the statutory and corporate approvals each of the Selling Shareholders hereby agrees that, if necessary, it will defer the timing for completion of INAH's investment in the Subscription Shares or the purchase by it of the Purchase Shares or Put Option Shares until 10 Business Days following the completion of the first meeting of the board of directors of HSBC Holdings plc held after the date that is at least 5 Business Days following the date of the determination of the Subscription/Purchase Price or Put Option Price, as the case may be.

12.7.3 If INAH is unable to obtain the approvals referred to in Clause 12.7.1, then:

- (i) each of the Subscription Option, Purchase Option and Put Option shall lapse simultaneously, and none of INAH, CB or OBC shall be entitled to exercise, as appropriate, the Subscription Option, Purchase Option or Put Option;
- (ii) unless the parties otherwise agree, OBC shall not be entitled to exercise its rights pursuant to Clause 12.1.5 and any OBC Increase Notice issued by it shall lapse and be of no force and effect; and
- (iii) Clause 12.8 shall apply.

## 12.8 Introduction of a third party

Following the issue of a Cancellation Notice or if INAH is unable to obtain the approvals referred to in Clause 12.7, CB and OBC shall be entitled to recommend to INAH the introduction of a third party who is not a Competitor as a Shareholder, such third party to become a Shareholder by subscribing to the Subscription Shares or acquiring the Purchase Shares or Put Option Shares, in the manner agreed between the parties. The introduction of such third party as a Shareholder shall be subject to the prior written consent of all Qualifying Shareholders, such consent not to be unreasonably withheld. A third party that acquires Shares pursuant to this



Clause 12.8 shall be obliged to enter into a Deed of Adherence and shall be entitled to such rights, and subject to such obligations, as are commensurate to its shareholding in the Company following its acquisition of Shares. CB, INAH, OBC and such third party shall also discuss, in good faith, any amendments that are required to be made to this Agreement to reflect the rights and obligations of such third party and its ownership of Shares.

## 13 Transfers of Shares

### 13.1 General prohibition against Share transfers

13.1.1 No Shareholder can do, or agree to do, any of the following without the prior written consent of the other Shareholders unless it is permitted by this Clause 13 or Clause 12:

- (i) pledge, mortgage, charge or otherwise encumber any of its Shares or any interest in any of its Shares;
- (ii) sell, transfer or otherwise dispose of, or grant any option over, any of its Shares or any interest (including an economic interest) in its Shares; or
- (iii) enter into any agreement in respect of the votes attached to any of its Shares,

(a "transfer").

13.1.2 Other than as contemplated in Clause 12 or Clause 14, and notwithstanding anything contained in this Agreement, no Shareholder shall, or shall agree to, transfer any Shares other than to an Associated Company before the fifth anniversary of the Completion Date.

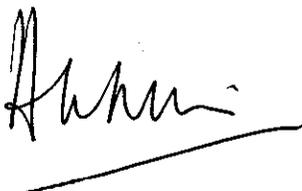
13.1.3 No Shareholder shall be permitted to transfer any Shares to a Competitor without the prior written consent of the Qualifying Shareholders.

### 13.2 Transfers to Associated Companies

13.2.1 Subject to the Associated Company entering into a Deed of Adherence, any Shareholder may transfer all or some of its Shares to an Associated Company on giving prior written notice to the other Shareholders. An Associated Company must be under an obligation to retransfer its Shares to the Shareholder or another Associated Company of that Shareholder immediately if it ceases to be an Associated Company.

13.2.2 Where not all of the Shares held by the original transferring Shareholder (but not a subsequent transferor in a series of transfers) are transferred:

- (i) the transferring Shareholder must be granted the exclusive right to exercise votes in respect of each Share transferred on behalf of the transferee;
- (ii) this Agreement and the Articles shall apply as if the transferring Shareholder and the transferee are one Shareholder;



- (iii) the rights of the transferee under this Agreement and the Articles shall be exercised exclusively by the transferring Shareholder;
- (iv) any notice given by the transferring Shareholder under the Agreement or the Articles shall be deemed to be given also by the transferee; and
- (v) any notice required to be given to the transferee shall be given also to the transferring Shareholder.

### 13.3 Transfers to third parties

13.3.1 Subject to compliance with Clauses 13.3 to 13.5, a Shareholder (the "**Selling Shareholder**") may transfer its Shares to a third party only if such Selling Shareholder receives an offer (the "**Offer**");

- (i) which is a *bona fide* Offer in writing;
- (ii) from a third party that is not a Competitor and which has its own financial resources to meet its obligations under the Offer or has an unconditional and legally binding commitment from a lender(s) for that finance;
- (iii) which is irrevocable except for a Permitted Condition;
- (iv) which is for cash consideration only and for all the Shares of the Selling Shareholder (and any of its Associated Companies who also own Shares) (the "**Sale Shares**") and the Shares of the Remaining Shareholders (as defined below) and those of their Associated Companies, if any Remaining Shareholders also elect to accept the Offer; and
- (v) which contains all material terms and conditions including the price and the intended completion date of the Offer which shall be consistent with the provisions of Clause 13.5.

13.3.2 If the Selling Shareholder receives an Offer which it wishes to accept, the Selling Shareholder must immediately give written notice (the "**Transfer Notice**") to all Qualifying Shareholders (the "**Remaining Shareholders**") offering to sell the Sale Shares to the Remaining Shareholders (on a pro rata basis) at the same cash price set out in the Offer, and on terms which are no less favourable than those contained in the Offer. The Transfer Notice must also:

- (i) state the period within which the Offer shall remain open to be accepted. This period must be at least 30 Business Days from the date of the Transfer Notice (the "**Acceptance Period**");
- (ii) state full details of all other terms and conditions of the Offer; and
- (iii) contain a written irrevocable offer by the third-party offeror to buy the Shares of any of the Remaining Shareholders (and those of its Associated Companies) who also elects to accept the Offer at the Offer price.



13.3.3 Once the Remaining Shareholders have received a Transfer Notice, each Remaining Shareholder may:

- (i) send a written notice to the Selling Shareholder within the Acceptance Period declining the offers set out in the Transfer Notice; or
- (ii) send a written notice to the Selling Shareholder (a "**Sale Notice**") within the Acceptance Period offering to sell all its Shares (and the Shares owned by any of its Associated Companies) in accordance with this Clause 13, to any Remaining Shareholder(s) issuing a Purchase Notice (as defined below) within the relevant Acceptance Period, failing which, to the third party on the same terms and conditions as those contained in the Offer; or
- (iii) send a written notice to the Selling Shareholder within the Acceptance Period accepting the offer to purchase (either directly or through one or more Associated Companies or third-party nominees) the Sale Shares and the Shares of any Remaining Shareholder issuing a Sale Notice within the relevant Acceptance Period on the same terms and conditions as those contained in the Offer (a "**Purchase Notice**") and otherwise in accordance with this Clause 13; or
- (iv) send neither a Sale Notice nor a Purchase Notice in response to the Transfer Notice within the Acceptance Period. In this case, such Remaining Shareholder shall be deemed both not to have accepted the offers set out in the Transfer Notice and not to have issued a Sale Notice or a Purchase Notice.

13.3.4 If:

- (i) one (1) or more Purchase Notices have been issued, then the Selling Shareholder and any Remaining Shareholder who has issued a Sale Notice shall transfer its Shares (and procure that any Associated Company transfers Shares owned by it) to the Remaining Shareholder(s) who have issued a Purchase Notice in accordance with Clause 13.5;
- (ii) no Purchase Notice has been issued, but certain Remaining Shareholder(s) have issued a Sale Notice, the parties agree as follows:
  - (a) the Remaining Shareholder(s) who have issued a Sale Notice and the Selling Shareholder must sell their Shares to the third party making the Offer on the terms and conditions of the Offer and Clause 13.4;
  - (b) if the third party is unable to purchase the Shares subject of a Sale Notice on the terms and conditions as those contained in the Offer on account of any applicable law or regulations, the Selling Shareholder shall not sell the Sale Shares to such third party;



- (iii) neither a Purchase Notice nor a Sale Notice is issued within the Acceptance Period, the Selling Shareholder may accept the Offer and sell the Sale Shares to the third party making the Offer on the terms and conditions of the Offer.

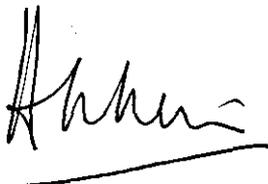
#### **13.4 Completion of transfer**

- 13.4.1** If no Remaining Shareholder has issued a Purchase Notice, the sale of Sale Shares and the Shares subject of any Sale Notice must be sold to the third party making the Offer on the terms and conditions of the Offer.
- 13.4.2** If any Permitted Condition to the Offer is not satisfied or waived 60 Business Days or, in the case of a regulatory approval, 150 Business Days after the service of a Sale Notice, then the Offer shall lapse. Otherwise, completion of the transfer of the Sale Shares pursuant to the Sale Notice shall be completed within 30 Business Days after the date of expiry of the Acceptance Period or the date of the satisfaction or waiver of all Permitted Conditions (whichever is later), as appropriate, and at such reasonable time and place as the Shareholders agree or, failing which, at the registered office of the Company.
- 13.4.3** Completion of the sale of the Sale Shares and the Shares subject of each Sale Notice must take place simultaneously and in accordance with Clause 17.

#### **13.5 Completion of transfer pursuant to the Purchase Notice**

If a Purchase Notice(s) has been issued, the Selling Shareholder and any Remaining Shareholder(s) issuing a Sale Notice must sell their Shares (and procure the sale of any Shares held by their respective Associated Companies) to the Remaining Shareholder(s) issuing a Purchase Notice. The sale of Sale Shares and the Shares subject to any Sale Notice pursuant to a Purchase Notice shall be made on the following terms:

- 13.5.1** if more than one Remaining Shareholder has issued a Purchase Notice, such Remaining Shareholders shall purchase the Sale Shares and the Shares subject to any Sale Notice in the proportion that their respective shareholdings in the Company bear to each other;
- 13.5.2** completion of the transfer of the Shares pursuant to such Purchase Notice(s) shall be completed 21 Business Days after the date of issuance of the Purchase Notice or the date of the satisfaction of or a waiver of all Permitted Conditions (whichever is later), and at such reasonable time and place as the parties agree or, failing which, at the registered office of the Company;
- 13.5.3** the Selling Shareholders hereby agree and undertake to:
  - (i) provide the transferee(s) (and, if appropriate, procure the provision of) all standard representations, warranties and indemnities including, without limitation, in relation to the ownership and title of the Shares being purchased; and



- (ii) provide (and, if appropriate, procure the provision of) all reasonable assistance to the transferee for the purpose of obtaining all approvals (if any) required for the completion of the transfer; and

13.5.4 in accordance with Clause 17.

### 13.6 General

13.6.1 The Shareholders shall keep the Company informed, at all times, of the issue and contents of any notice served pursuant to this Clause 13 and any election or acceptance relating to that notice.

13.6.2 The Shareholders waive their pre-emption rights to the transfer of the Shares contained in this Agreement (including the Articles) to the extent necessary to give effect to this Clause 13.

## 14 Deadlock

### 14.1 Escalation procedure

14.1.1 If the Board cannot reach agreement on any Board Reserved Matter mentioned in Clause 6.2 within 14 Business Days of such resolution first being tabled at the Board meeting or two (2) or more consecutive Board meetings having been dissolved because a quorum is not present, the subject of any such resolution before them shall be referred immediately to the Qualifying Shareholders.

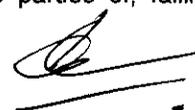
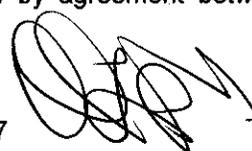
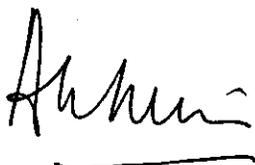
14.1.2 If the Qualifying Shareholders cannot reach agreement on (i) any matter referred to them under Clause 14.1.1 or on any matter mentioned in Clause 6.1 requiring the approval of the Shareholders within 14 Business Days of that matter being referred to them or the matter first being considered by the Shareholders or (ii) if two or more consecutive Shareholder meetings are dissolved because a quorum is not present; or (iii) if the Shareholder Funding Meeting concludes without resolution in relation to the provision of funding to the Company (each a "**Deadlock Matter**"), the Qualifying Shareholders shall refer the Deadlock Matter to their respective chairmen for resolution who shall endeavour to resolve the matter in good faith through informal discussions. Either chairman or a Qualifying Shareholder may nominate an independent third party acceptable to the other chairman to act as mediator to assist them to resolve the Deadlock Matter.

### 14.2 Expert determination

If the Deadlock Matter is not resolved unanimously by the chairmen within 30 Business Days of the matter being referred to them, then:

14.2.1 if the Deadlock Matter concerns any matter which may be capable of expert determination, any Qualifying Shareholder may refer the dispute for a non-binding decision to an expert on the following terms:

- (i) unless otherwise agreed by the Qualifying Shareholders, the expert shall be appointed by agreement between the parties or, failing



agreement, within 14 Business Days of the initiation of the reference, by the President;

- (ii) the relevant expert shall determine whether or not the Deadlock Matter is suitable for expert determination;
- (iii) the expert may have access to all relevant documents of the Company and of the parties, subject to any confidentiality provisions;
- (iv) the parties may make representations and submissions to the expert but there still shall be no formal hearing;
- (v) the expert shall make a determination within 30 Business Days of his appointment and shall notify the Shareholders in writing of his determination together with any reason for his decision;
- (vi) the expert shall act as an expert and not as an arbitrator and its decision shall not be final and binding; and
- (vii) the fees of the expert shall be paid by the Shareholders *pro rata* to their Shareholdings unless the expert determines that the conduct of one Shareholder is such that it should pay the fees of the expert;

**14.2.2** if the Deadlock Matter concerns any matter which is not capable of expert determination, any Qualifying Shareholder may refer the matter to mediation in accordance with the procedure for conciliation set out in the Arbitration Act, such mediation proceedings to be concluded within 30 days of the submission to mediation;

**14.2.3** if the Deadlock Matter concerns the approval of the Annual Operating Plan for any year, the prior year's Annual Operating Plan, adjusted for inflation, shall continue to apply unless and until a new Annual Operating Plan is approved; and

**14.2.4** if:

- (i) the Deadlock Matter concerns any other matter; or
- (ii) the Deadlock Matter is determined under Clause 14.2.1 not to be suitable for expert determination; or
- (iii) any party does not agree to the decision of the expert; or
- (iv) the conciliation proceedings referred to in Clause 14.2.2 are concluded without an appropriate settlement,

then Clause 14.3 shall apply.

### **14.3 Final resolution of Deadlock Matter by expert**

**14.3.1** If the Deadlock Matter is not resolved pursuant to Clause 14.2, then any Qualifying Shareholder may send a notice to the other Qualifying Shareholders requiring them to meet and discuss in good faith, for a period of 30 Business Days, any proposals they may have to resolve the Deadlock.



14.3.2 If the Qualifying Shareholders are unable to agree on a proposal, they shall engage an expert to determine, from amongst exit proposals (each, an "Exit Proposal") to be prepared by each Qualifying Shareholder, which is the most appropriate proposal for Shareholders to exit from the Company. The expert shall be appointed by agreement between the Qualifying Shareholders. If the Qualifying Shareholders do not agree on an expert within 14 days of the initiation of the reference, any Qualifying Shareholder may request the President to make the appointment.

14.3.3 Each Qualifying Shareholder shall then prepare its Exit Proposal, which must comply with the following terms:

- (i) if implemented, the Exit Proposal must not be prejudicial to the interests of the existing policyholders of the Company;
- (ii) an Exit Proposal (and its implementation) may be made subject to the receipt of any necessary regulatory approvals;
- (iii) it must be reasonably practical for the Exit Proposal to be implemented within six (6) months of the date on which the expert makes a determination;
- (iv) the Exit Proposal must provide for the sale of Shares by at least one Qualifying Shareholder (each, a "Selling Qualifying Shareholder") to either
  - (a) the Qualifying Shareholder making the Exit Proposal (a "Proposing Qualifying Shareholder"); and/or
  - (b) the Proposing Qualifying Shareholder and to one or more third parties, in which case, any Qualifying Shareholder who is not being required to sell its Shares under the relevant Exit Proposal (a "Remaining Qualifying Shareholder") may seek for the Exit Proposal to be dismissed if the proposed third party or parties is or are either (a) a material competitor of that Remaining Qualifying Shareholder or its Associated Companies, either in India or worldwide; or (b) in the reasonable opinion of that Remaining Qualifying Shareholder, not fit and proper person(s) to be shareholder(s) in the Company;
- (v) it must relate to all (and not some only) of the Shares of each Selling Qualifying Shareholder identified in the Exit Proposal;
- (vi) it must set out the price at which the Proposing Qualifying Shareholder (together with any third party(ies)) is willing to purchase for cash in Rupees the Shares held by each Selling Qualifying Shareholder(s) ("Exit Price"), such Exit Price to be paid in the form of purchase consideration for Shares and/or permitted distributions by the Company;
- (vii) an Exit Proposal cannot require any Remaining Qualifying Shareholder(s) to:



- (a) purchase any of the Shares of a Selling Qualifying Shareholder(s);
- (b) invest any further capital in the Company; or
- (c) suffer any dilution in its/their economic or voting interest in the Company,

unless expressly agreed by the relevant Remaining Qualifying Shareholder;

- (viii) without the written consent of INAH, as expressed to the Expert in its Exit Response Statement, an Exit Proposal may not require INAH or its Associated Companies to sell their Shares at a total aggregate amount that exceeds the Rupee equivalent of the difference between a) USD 10 billion; and b) any amount which has been paid within the preceding 12 months by INAH or any of its Associated Companies in respect of Shares acquired pursuant to the Put Option or Purchase Option referred to in Clause 12, and any such Exit Proposal which requires a sale of shares by HSBC shall be deemed to be capped at such difference; provided however, that if such deeming occurs, any Exit Proposal which has been submitted by INAH shall also be deemed to be capped at such amount by the Expert, for the purposes of determining which of the Exit Proposals offers the highest Exit Price to the Selling Qualifying Shareholders identified in the Exit Proposal; and
- (ix) an Exit Proposal must confirm that no Selling Qualifying Shareholder selling its Shares pursuant to an Exit Proposal shall be required to give any representations or warranties, or grant any indemnities in connection with such sale, other than representations and warranties as to:
  - (a) the selling Shareholder's title to the Shares being sold; and
  - (b) any other representations and warranties required by applicable law.

**14.3.4** Each Exit Proposal shall:

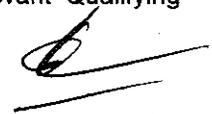
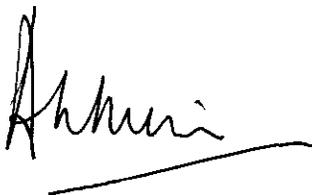
- (i) constitute an offer by its Proposing Qualifying Shareholder, either alone or together with one or more third parties, to buy for cash in Rupees all (but not some only) of the Shares held by the Selling Qualifying Shareholder(s) identified in the Exit Proposal;
- (ii) constitute an offer by that Proposing Qualifying Shareholder to sell for cash in Rupees all (but not some only) of its own Shares in accordance with any other Exit Proposal proposed by the other Qualifying Shareholder(s) if such Exit Proposal is selected by the expert.

**14.3.5** An Exit Proposal that does not comply with the requirements set out in Clause 14.3.3 above shall be deemed to be a "non-compliant" Exit Proposal. The expert shall determine if any Exit Proposal is non-compliant, either at its own instance or following any submission made in that regard



by any Qualifying Shareholder. The expert shall not be entitled to consider any Exit Proposal that he determines is non-compliant for the purposes of making his determination under Clause 14.3.7 below.

- 14.3.6** Each Qualifying Shareholder shall submit its Exit Proposal to the expert and the other Qualifying Shareholders within thirty (30) Business Days after the appointment of the expert and shall make available to the expert all relevant documents of the Company and of the parties, subject to any confidentiality provisions.
- 14.3.7** Within thirty (30) days from receipt of the Exit Proposals, each Qualifying Shareholder shall deliver to the expert for the expert's consideration, a statement (the "**Exit Proposal Response Statement**") indicating any response that they have in respect of the Exit Proposals and whether they wish to have an Exit Proposal dismissed pursuant to 14.3.3 because it is non compliant or by virtue of 14.3.3(iv)(b) (together with the grounds for dismissal). They shall also state which Exit Proposal they favour.
- 14.3.8** Having due regard to the Exit Proposals, and the Exit Proposal Response Statements, the expert shall determine, from amongst the compliant Exit Proposals which have not been dismissed by the expert, the Exit Proposal which offers the highest Exit Price to the exiting Qualifying Shareholder(s) identified in that Exit Proposal ("**Selected Exit Proposal**").
- 14.3.9** The expert shall make his or her decision within 45 Business Days of his appointment and notify the Shareholders in writing of his or her determination together with any reason for his or her decision.
- 14.3.10** The expert shall act as an expert and not as an arbitrator and his or her decision shall be final and binding on all parties (in the absence of fraud or manifest error).
- 14.3.11** The fees of the expert shall be paid by the Shareholders pro rata to their Shareholdings unless the expert determines that the conduct of one Shareholder is such that it should pay the fees of the expert.
- 14.3.12** Following the receipt of the decision of the expert referred to in Clause 14.3.2, the Shareholders shall, and shall use all reasonable endeavours to procure that the Company and any necessary third party shall, execute such documents and do such acts and things as may be required to implement the Selected Exit Proposal in a timely manner.
- 14.3.13** If a Qualifying Shareholder fails to submit an Exit Proposal pursuant to Clause 14.3.6, it shall be deemed to have accepted the offer to buy its Shares set out in any other Exit Proposal selected by the expert pursuant to Clause 14.3.9 above, and shall be bound to sell its Shares to the Proposing Qualifying Shareholder who has made that Exit Proposal (or to any third party identified in such Exit Proposal).
- 14.3.14** The time limits stipulated in this Clause 14.3 shall be extended *pro tanto* in respect of any period reasonably necessary to obtain any regulatory approval required by a Qualifying Shareholder to perform the matter subject to the relevant time limit, provided that the relevant Qualifying



Shareholder shall use all reasonable endeavours to expedite the obtaining of any such approvals.

**14.3.15** If any regulatory approval is required to implement a Selected Exit Proposal then the parties shall promptly cooperate with and provide all necessary information and assistance reasonably required to obtain such regulatory approval. If the regulatory approval required to implement the Selected Exit Proposal are denied or if such approvals are not granted within 180 days of the date on which the Selected Exit Proposal was selected by the expert then, unless the parties otherwise agree, the procedure set out in Clause 14.3 shall be repeated in its entirety (with each Qualifying Shareholder being obliged to prepare another Exit Proposal) until such time as an Exit Proposal selected by the expert can be implemented.

**14.3.16** The parties agree and acknowledge that, other than in relation to the Deadlock Matter, they will continue to otherwise co-operate with each other in relation to, and so as to ensure the continued, management and operation of the Company for the period during which a Deadlock Matter is being resolved in accordance with this Clause 14.

#### **14.4 Increase of limits**

On the third anniversary of the Completion Date (and at at least 3-yearly intervals thereafter), the parties shall meet and discuss whether an increase to the limits set out in Clause 14.3.3(viii) is necessary. No such increase shall be valid unless it is in the form of a variation to the Agreement effected pursuant to Clause 29.6. It is also understood and acknowledged by the parties that they shall not make a request to vary the Agreement as aforesaid if the increase would require INAH or any of its Associated Companies to trigger a "Class 1 transaction" under the rules of any stock exchange on which the relevant entity's shares are listed.

### **15 Default**

#### **15.1 Events of default**

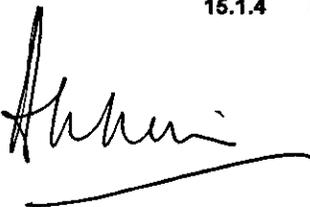
A Shareholder (the "**Defaulting Shareholder**") suffers an event of default ("**Event of Default**") where:

**15.1.1** it commits a material breach of this Agreement and either (i) the breach is not capable of being remedied or (ii) the Defaulting Shareholder does not remedy that breach within 21 Business Days of the other Shareholder sending it written notice requiring it to remedy that breach; or

**15.1.2** it is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;

**15.1.3** the value of its assets is less than its liabilities;

**15.1.4** a moratorium is declared in respect of any of its indebtedness;



- 15.1.5 any corporate action, legal proceedings or other procedure or step is taken (or any analogous procedure or step is taken in any jurisdiction) in relation to:
- (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) other than a solvent liquidation or reorganisation;
  - (ii) a composition, assignment or arrangement with any creditor;
  - (iii) the appointment of a liquidator (other than in respect of a solvent liquidation), receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of any of its assets; or
  - (iv) enforcement of any security over any of its assets;
- 15.1.6 it is subject to any change of Control (provided that any change of Control of HSBC Holdings plc, in relation to INAH, CB and OBC either pursuant to an open offer to their, respective shareholders, or by way of a merger, or otherwise, shall not be deemed to constitute a change of Control for these purposes);
- 15.1.7 any of the events above occurs in relation to its immediate holding company (subject to the proviso in Clause 15.1.6 if the event is a change of Control of such immediate holding company); or
- 15.1.8 it engages in any criminal activity or any activity that a non-Defaulting Shareholder reasonably believes will cause significant damage to the reputation of the Company or the non-Defaulting Shareholders.

## 15.2 Notice of default

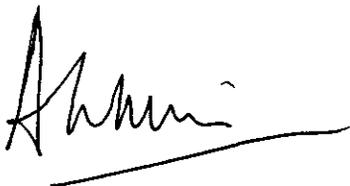
If an event of default occurs, the Defaulting Shareholder shall notify the other Shareholders as soon as reasonably practicable.

## 15.3 Default Notice

Following an Event of Default, the non-Defaulting Qualifying Shareholders or any of them may give written notice (a "Default Notice") to the Defaulting Shareholder within 60 Business Days of receiving notification of the Event of Default from the Defaulting Shareholder or of its becoming aware of the Event of Default, whichever is the earlier, requiring the Defaulting Shareholder either:

- 15.3.1 to sell all of the Shares held by the Defaulting Shareholder (the "Sale Shares") (a "Default Sale Notice") to the non-defaulting Qualifying Shareholder(s) at a price per Share equal to the lower of:
- (i) the Embedded Value of the Sale Shares; and
  - (ii) the Fair Value of the Sale Shares.

If more than one (1) non-defaulting Shareholder issues a Default Sale Notice, the Defaulting Shareholder shall sell, and the non-defaulting



Shareholders who have issued a Default Sale Notice shall purchase, the Sale Shares, in proportion to their respective Shareholdings in the Company; or

15.3.2 to purchase all of the Shares held by the non-defaulting Shareholder(s) (also "Sale Shares") at a price equal to the higher of:

- (i) the Embedded Value of the Sale Shares; and
- (ii) the Fair Value of the Sale Shares.

#### 15.4 Completion of transfer

The sale and purchase of the Sale Shares in accordance with this Clause 15 shall be made on the following terms:

15.4.1 if any of the Permitted Conditions to the Default Notice is not satisfied or waived 60 Business Days or, in the case of a regulatory approval, 150 Business Days after service of that Default Notice, then that Default Notice shall lapse. Otherwise, completion of the transfer of the Sale Shares shall be completed within seven Business Days after written notice of the determination of the Fair Value or, as appropriate, the Embedded Value, of the Sale Shares or the date of satisfaction or waiver of all Permitted Conditions (whichever is the later) (the "Transfer Date") at such reasonable time and place that the shareholders agree or, failing which, at the registered office of the Company; and

15.4.2 in accordance with Clause 17.

15.4.3 Where the Default Notice lapses pursuant to Clause 15.4.1, the non-Defaulting Qualifying Shareholder(s) shall be entitled, by notice in writing (the "Third Party Notice") given within ten (10) Business Days from the date on which the Default Notice lapsed, to require the Defaulting Shareholder to transfer the Sale Shares to a third party who is able to satisfy the relevant Permitted Conditions referred to in Clause 15.4.1 or able to acquire the Sale Shares on an unconditional basis. The Defaulting Shareholder shall then be obliged to sell the Sale Shares to the third party identified in the Third Party Notice at the Embedded Value of the Sale Shares, and otherwise on terms no less favourable than those set out in the Default Notice. The transfer of the Sale Shares shall be completed within twenty (20) Business Days after the date of the Third Party Notice at such reasonable time and place that the relevant parties agree or, failing which, at the registered office of the Company and in accordance with Clause 17.

#### 15.5 General

15.5.1 The Shareholders shall keep the Company informed at all times of the issue and contents of any notice served pursuant to this Clause 15 and any election or acceptance relating to those notices.



- 15.5.2 The Shareholders waive their pre-emption rights on the transfer of Shares contained in this Agreement and the Articles to the extent necessary to give effect to this Clause 15.
- 15.5.3 The Shareholders shall do all things within their power to ensure that the Business continues to be run as a going concern during the period between the service of the Default Notice and the completion of the transfer of the Sale Shares.

## 16 Determination of Fair Value and Embedded Value

### 16.1 Appointment of actuary and chartered accountant and Qualified Shareholder submissions:

- 16.1.1 The "Embedded Value" of the Shares for the purposes of this Agreement and the Articles shall be determined by an internationally reputable firm of independent actuaries (hereinafter referred to as the "Actuary") to be appointed by the Qualifying Shareholders after due consultation and discussion with each other, such appointment being made within 30 Business Days of the date of the Increase Notice, Default Notice or Put Option Notice as the case may be. If the Qualifying Shareholders do not agree on the Actuary, any Qualifying Shareholder may request the president for the time being of the Institute of Actuaries, London to make the appointment.
- 16.1.2 Subsequent to the appointment of the Actuary, and unless the Put Option Notice, Increase Notice or Default Notice does not require the determination of the Fair Value, the Qualifying Shareholders shall also appoint a firm of chartered accountants (the "Chartered Accountant") for the purposes of determining the Fair Value of the Shares. The Chartered Accountant shall be chosen by the Qualifying Shareholders from amongst KPMG, PricewaterhouseCoopers, Deloitte Haskins & Sells and Ernst & Young, or an affiliate of any of those firms in India) after due consultation and discussion with each other, such appointment being made within 30 Business Days of the date of the Increase Notice, Default Notice or Put Option Notice as the case may be. If the Qualifying Shareholders do not agree on the Chartered Accountant, any Qualifying Shareholder may request the President of the Institute of Chartered Accountants to make the appointment. The Chartered Accountant will in no case be a firm which, at the time of valuation, considers itself, or is considered by a Qualified Shareholder, acting reasonably, to be conflicted to act as such, as a result of any existing or prior services provided by it to any of the parties or their Associated Companies.
- 16.1.3 Each Qualified Shareholder shall be entitled (but not be obliged) to provide, within seven (7) days of the appointment of the Actuary and the Chartered Accountant, a submission which describes matters which it reasonably believes should be taken into account in the determination of Embedded Value and Fair Value for the purposes of this Clause 16; and the Actuary and the Chartered Accountant shall be obliged to consider in good faith any



such submission made by a Qualifying Shareholder when determining the Embedded Value and/or the Fair Value.

## 16.2 Actuary's determination

16.2.1 The Actuary shall determine the Embedded Value of the Shares to be sold or subscribed, as appropriate, as at the date of the Increase Notice or Put Option Notice, as appropriate.

The Embedded Value of the Shares will be:

- (i) the Net Asset Value of the Company; plus
- (ii) the value attributable to Shares in respect of the future profits projected to arise from the portfolio of the life insurance business in-force (the "value of in-force business"); less
- (iii) the economic cost of holding capital to meet the Solvency Ratio (the "cost of holding the required solvency margin") in respect of the in-force life insurance business.

16.2.2 The value of in-force business and the cost of holding the required solvency margin shall be determined by the Actuary in accordance with the valuation bases and assumptions that the Actuary considers reasonable and consistent with internationally accepted actuarial valuation practices.

## 16.3 Chartered Accountant's determination

16.3.1 The Chartered Accountant shall determine the Fair Value by using a range of valuation methodologies that are internationally accepted as being appropriate for valuing life insurance companies. In making its determination, the Chartered Accountant shall, using such methodologies:

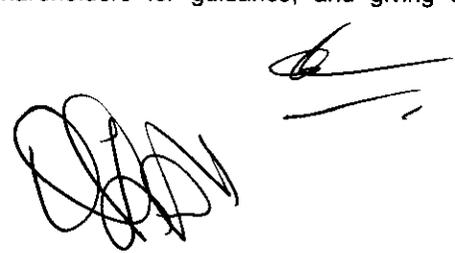
- (i) value the Shares on an arm's length sale between a willing seller and a willing buyer; and
- (ii) assume that the Company is carrying on business as a going concern.

16.3.2 The Chartered Accountant shall determine the Fair Value reflecting any other factors which it reasonably believes should be taken into account.

## 16.4 Determination etc.

16.4.1 Unless otherwise agreed unanimously in writing by the Qualified Shareholders, the most recently audited financial statements of the Company shall be used as a basis for any independent valuation made hereunder, adjusted for any material changes in the position of the Company since the date of those audited statements, such material changes to be determined by the Auditors pursuant to a limited engagement.

16.4.2 If any difficulty arises in applying any of the assumptions or bases set out above, then the Actuary or Chartered Accountant, as the case may be, shall consult the Qualified Shareholders for guidance, and giving due



consideration to such guidance, shall then resolve that difficulty in such manner as they shall in their absolute discretion think fit.

**16.4.3** The Actuary and the Chartered Accountant must make their determinations as follows:

- (i) The Actuary must make its determination of the Embedded Value within 30 Business Days of its appointment and shall notify the Shareholders and the Chartered Accountant of its determination, together with the justifications therefor. In addition, the Actuary shall also provide a reasonable outline of the valuation methodologies employed by it to satisfy the conditions set out in Clause 16.2.
- (ii) The Chartered Accountant must make its determination of the Fair Value within 30 Business Days of the receipt by it of the Actuary's determination of the Embedded Value, and shall notify the Shareholders of its determination, together with the justifications therefor. In addition, the Chartered Accountant shall also provide a reasonable outline of the valuation methodologies employed by it to satisfy the conditions set out in Clause 16.3.

**16.4.4** The fees of the Actuary and the Chartered Accountant shall be borne by the Shareholders equally.

**16.4.5** The Actuary and the Chartered Accountant may have access to all accounting records or other relevant documents of the Company, subject to any confidentiality provisions.

**16.4.6** The Actuary and the Chartered Accountant shall act as experts and not as arbitrators, and their determination of the Embedded Value or Fair Value, as appropriate, shall be final and binding on the parties (save in the case of fraud or manifest error (including clear failure by either the Actuary or the Chartered Accountant to follow the valuation methodologies and/or satisfy other conditions set out in Clause 16.2 or 16.3, as appropriate)).

## **17 Terms and consequences of transfers of Shares**

### **17.1 Procedure for transfer**

The procedure to be adopted for all transfers of Shares under this Agreement shall be as follows:

- 17.1.1** on or before the prescribed date for any transfer, the transferors must deliver to the transferees:
- (i) duly executed share transfer forms, together with the relevant share certificates; or
  - (ii) where the Shares are in dematerialised form, duly executed delivery instructions instructing the transferors' depository participant to debit the transferors' account with the relevant Shares and requesting the transferees' depository participant to credit the depository account of the transferees; and



17.1.2 the transferees must pay the total consideration due for the Shares being acquired by telegraphic transfer to the bank account of the transferors, as notified to the transferees for the purpose on the date of the transfer.

## 17.2 Additional requirements

17.2.1 In the event the parties are required by applicable law or regulation to procure a valuation by the Auditors or by any chartered accountant or any other person to complete the transfer of the Shares, then the Company shall (and the Shareholders shall ensure that the Company shall) procure such valuation in a timely fashion.

17.2.2 The parties to the transfer and the Company, if required, shall also file all necessary forms, documents, letters and certificates with the Authorised Dealer in order to effectuate the transfer in a timely fashion.

17.2.3 All costs for procuring such valuation shall be borne by the Company.

## 17.3 Transfer terms

Any sale and/or transfer of Shares pursuant to this Agreement shall be on terms that those Shares:

17.3.1 are transferred free from all claims, pledges, equities, liens, charges and encumbrances;

17.3.2 are transferred with the benefit of all rights attaching to them as at the date of the relevant Increase Notice, Default Notice or Put Option Notice, as appropriate; and

17.3.3 are transferred with all requisite approvals.

## 17.4 Registration

The parties shall procure that a transfer of Shares is not approved for registration unless this Agreement and the Articles have been complied with. The Company shall procure that each share certificate issued by it shall carry the following statement:

"Any disposition, transfer, charge of or dealing in any other manner in the Shares represented by this certificate is restricted by a Shareholders' Agreement dated [ ] and made between Canara Bank, HSBC Insurance (Asia-Pacific) Holdings Ltd., Oriental Bank of Commerce and The Hongkong and Shanghai Banking Corporation Limited".

## 17.5 Deed of Adherence

It shall be a condition precedent to the right of any Shareholder (the "Transferor") to transfer Shares that the Transferor procures that the transferee of the relevant Shares (the "Transferee") (if not already bound by the provisions of this Agreement) executes a Deed of Adherence substantially in the form set out in Schedule 1 under which the Transferee shall agree to be bound by and shall be entitled to the benefit of this Agreement with effect from the completion of the transfer of the relevant Shares as if it was an original party hereto in place of the Transferor to the extent of



the Shares transferred and any other agreements in connection with the Business to the extent such agreements are executed in its capacity as a Shareholder. The remaining Shareholders and the Transferee shall discuss, in good faith, any amendments that are required to this Agreement to reflect the Transferee's ownership of Shares.

#### **17.6 Further assurance**

Each party shall do all things and carry out all acts which are reasonably necessary to effect the transfer of the Shares in accordance with the terms of this Agreement in a timely fashion.

#### **17.7 Loans, borrowings, guarantees and indemnities**

17.7.1 Upon a transfer of all the Shares held by a Shareholder:

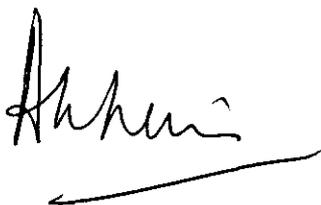
- (i) the continuing Shareholder shall procure that all loans, borrowings and indebtedness in the nature of borrowings outstanding owed by the Company to a transferring Shareholder (together with any accrued interest) are either assigned to the continuing Shareholder for such value as may be agreed between the transferring Shareholder and the continuing Shareholder or, failing agreement with the continuing Shareholder, are repaid by the Company;
- (ii) all loans, borrowings and indebtedness in the nature of borrowings outstanding owed by that transferring Shareholder to the Company shall be repaid; and
- (iii) the continuing Shareholder shall use all reasonable endeavours (but without involving any financial obligation on its part) to procure the release of any guarantees, indemnities, security or other comfort given by the transferring Shareholder to or in respect of the Company or its Business and, pending such release, shall indemnify the transferring Shareholder in respect of them.

17.7.2 Any assumption of the obligations of a transferring Shareholder by the continuing Shareholder is without prejudice to the right of the continuing Shareholder and/or the Company to claim from the transferring Shareholder in respect of liabilities arising prior to the completion date of the transfer of Shares.

#### **17.8 Removal of appointees**

17.8.1 If a Shareholder ceases to be a Shareholder or, if relevant, a Qualifying Shareholder, it shall, immediately upon transfer of its Shares, procure the resignation of all its appointees to the Board. If the continuing Shareholders request, it shall do all such things and sign all such documents as may otherwise be necessary to procure the resignation or dismissal of such persons from such appointments in a timely manner.

17.8.2 Those resignations shall take effect without any liabilities on the Company for compensation for loss of office or otherwise except to the extent that the liability arises in relation to a service contract with a Director who was



acting in an executive capacity. Any Shareholder removing a Director appointed by it shall fully indemnify and hold harmless the other Shareholder and the Company from and against any claim for unfair or wrongful dismissal arising out of such removal.

### 17.9 IRDA approval

Each Shareholder shall be responsible for obtaining the approval of the IRDA or any other governmental/regulatory authority, for any change in shareholding due to sale of shares to the third party pursuant to Clause 13.3. With respect to transfer of Shares between the Shareholders *inter se*, the Transferee shall be responsible to obtain the requisite approvals. All other Shareholders shall render all such reasonable assistance as required.

### 17.10 Sectoral obligations

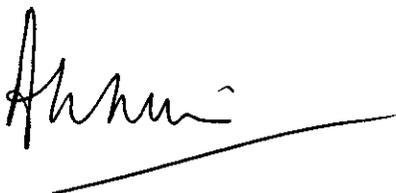
17.10.1 It is hereby agreed that:

- (i) the parties shall take all reasonable steps to ensure that any exercise of their rights under this Agreement shall not give rise to any breach of the sectoral caps of the Government of India or relevant regulations then in force relating to FDI in the Insurance Sector (the "Sectoral Caps");
- (ii) any sale or transfer of Shares shall be subject to any necessary Government or regulatory approvals, whether in respect of the said Sectoral Caps or otherwise;
- (iii) any time limit imposed by the provisions of this Agreement shall be extended *pro tanto* in respect of any period reasonably necessary to obtain any approval under Clause 17.10.1 (ii) hereof, provided that the parties shall use all reasonable endeavours to expedite the obtaining of any such approvals; and
- (iv) notwithstanding Clause 17.10.1(i), if any Shareholder is unable to take up any Shares to be transferred in accordance with the provisions of this Agreement or any part thereof due to Indian law or foreign investment regulations, such Shareholder shall be entitled to nominate any third party acceptable under such law to purchase such Shares or any part thereof.

17.10.2 Subject to the obligations set out in Clause 17.10.1, no party shall be obliged to take any action in accordance with this Agreement if to do so would give rise to a breach of the Sectoral Caps provided that, in the event that any party is unable to exercise its rights or satisfy its obligations under this Agreement because doing so would result in such a breach, the parties shall use all reasonable endeavours to achieve the intended economic effect of the intended exercise of such rights in a lawful manner.

### 17.11 Distribution Agreement(s)

If as a result of any transfer (other than pursuant to Clause 12), a Qualifying Shareholder ceases to be a Qualifying Shareholder, then, unless otherwise agreed



in writing between that Qualifying Shareholder and the other parties, the Distribution Agreement(s) entered into between the Company and the Shareholder transferring its Shares (or its Associated Companies) shall be terminated.

## **18 Enforcement of rights**

### **18.1 Rights of the Company**

If at any time the Company (i) wishes to enforce or exercise any right under or (ii) has any claim against or is the subject of a claim by any Shareholder or any member of a Shareholder's group in respect of:

- 18.1.1 this Agreement;
- 18.1.2 a Distribution Agreement;
- 18.1.3 the Technical Services and Assistance Agreement;
- 18.1.4 any other agreement or deed to which that Shareholder or a member of that Shareholder's group is also a party; or
- 18.1.5 any obligation owed to the Company by any Shareholder or a member of that Shareholder's group,

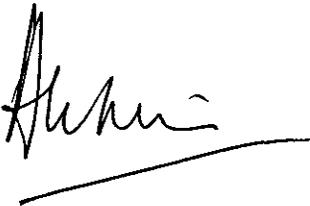
that matter shall be dealt with on behalf of the Company by a committee of the Directors appointed by the other Shareholders not involved in the claim. The provisions of this Clause 18 do not prejudice the right of any party to dispute any claim to which it relates.

### **18.2 Authority of committee**

The committee of Directors appointed under this Clause 18 shall have full authority, subject to any limitations on such authority imposed by the Board, to exercise rights on behalf of the Company.

### **18.3 Rights of Shareholders**

- 18.3.1 The Shareholder involved in the claim shall be entitled to attend and speak at any general meeting of the Company in relation to such claim but shall not vote at such meeting.
- 18.3.2 The Directors appointed by the Shareholder involved in the claim shall be entitled to attend and speak at any Board meeting or any Board committee meeting in relation to such claim but shall not vote at such meeting.
- 18.3.3 No general meeting of the Company or Board meeting at which a resolution is proposed in relation to such a claim shall be deemed inquorate by virtue of the absence of the Shareholder involved in the claim or of the Director(s) appointed by it.



## 19 Competition with the Business

### 19.1 Restrictions

- 19.1.1 Unless it has obtained the prior written consent of the other Qualifying Shareholders, a Qualifying Shareholder must not, either alone or jointly, with, through or on behalf of any person, directly or indirectly:
- (i) subject to Clause 9, carry on or be engaged or concerned or interested in any activities which are in competition with the Business;
  - (ii) seek to, in competition with the Business (a) procure orders from, (b) do business with or (c) procure directly or indirectly any other person to procure orders from or do business with, any person who is or has been a customer of the Company at any time during the term of this Agreement; or
  - (iii) solicit or contact with a view to the engagement or employment by any person, any employee, officer or manager of the Company or any person who has been an employee, officer or manager of the Company within the previous two-year period, except for an employee who has been seconded to the Company.
- 19.1.2 Each Qualifying Shareholder agrees to procure that each of their Associated Companies shall comply with the provisions of this Clause 19 as though it applied directly to them.
- 19.1.3 For the purposes of this Clause 19.1, the term "**Business**" shall mean the business of effecting contracts of insurance upon human life in India, including any contract whereby the payment of money is assured on death (except death by accident only) or the happening of any contingency dependent on human life, and any contract which is subject to payment of premiums for a term dependent on human life and shall be deemed to include: (i) the granting of disability and double or triple indemnity accident benefits, if so provided in the contract of insurance; (ii) the granting of annuities upon human life; (iii) the granting of superannuation allowances and annuities payable out of any fund applicable solely to the relief and maintenance of persons engaged or who have been engaged in any particular profession, trade or employment or of the dependents of such persons.

### 19.2 Invalidity

- 19.2.1 Each of these restrictions is an entirely separate and independent restriction on each Qualifying Shareholder and the validity of one restriction shall not be affected by the validity or unenforceability of another.
- 19.2.2 Each Qualifying Shareholder considers the restrictions in this Clause 19 to be reasonable and necessary for the protection of the interests of the Company. If any such restriction shall be held to be void but would be valid if deleted in part or reduced in application, such restriction shall apply with



such deletion or modification as may be necessary to make it valid and enforceable.

### 19.3 Duration

The covenants set out in this Clause 19 shall cease to apply on the earliest to occur of:

- 19.3.1 the fifth anniversary of the Completion Date;
- 19.3.2 termination of this Agreement; and
- 19.3.3 (as regards a Qualifying Shareholder) the Qualifying Shareholder ceasing to be a Qualifying Shareholder.

### 19.4 Exclusions

Nothing contained in this Clause 19 precludes or restricts:

- 19.4.1 any Qualifying Shareholder or any of its Associated Companies, acquiring a company or a business, or establishing a joint venture or business co-operation with a company or being merged with or into a company that has a competing business, as an integral part of a larger transaction, or acquiring or being merged with or into a business, company or group of companies not predominantly engaged in a competing business (and, in either case, continuing that business or venture);
- 19.4.2 any Qualifying Shareholder or any of its Associated Companies holding not more than 10 per cent. of the issued voting share capital of any company (the "Investee") which is engaged in a business similar to the Business but in which the Qualifying Shareholder or its Associated Companies do not have a management role and the Investee does not distribute life insurance products through that Qualifying Shareholder's or its Associated Company's distribution network; and
- 19.4.3 CB HSBC, OBC or their, respective, Associated Companies, from conducting its business of providing non-life insurance brokerage services in India, as such business is currently carried on, or as it may be carried on in the future, in any manner permitted by the laws of India that regulate the business of insurance brokerage.

## 20 Public announcements

### 20.1 Shareholder and Board approval in relation to announcements to be made by a Shareholder

A Shareholder must not make any public announcement or issue any circular relating to the Company or this Agreement without the prior written approval of the Board and the other Qualifying Shareholders. This does not affect any announcement or circular required by law or any regulatory body or the rules of any recognised stock exchange on which a Shareholder's (or any Associated Company's) shares are listed, but the party with an obligation to make an



announcement or issue a circular shall consult with the other parties so far as is reasonably practicable before complying with such obligation.

**20.2 Oral statements**

The Shareholders intend that any oral statements made or replies to questions given by any Shareholder relating to the Company shall be consistent with any such public announcements or circulars.

**20.3 Shareholder approval in relation to announcements to be made by the Company**

Nothing in this Clause 20 shall restrict the Company or its Directors, officers and employees from making public announcements in the course of its day to day operations so long as such statements do not amount to statements of policy and strategic objectives of the Company, and no Director or officer or employee of the Company shall make any public statement in relation to such policies and strategic objectives, unless such statement has been approved by the Board and each Qualifying Shareholder.

**21 Information, insurance, records, licences**

**21.1 Rights to information**

A Qualifying Shareholder may at all reasonable times and at its own expense:

- 21.1.1 discuss the affairs, finances and accounts of the Company with its officers and principal executives; and
- 21.1.2 inspect and make copies of all books, records, accounts, documents and vouchers relating to the Business and the affairs of the Company.

**21.2 Insurance, records and licences**

The Qualifying Shareholders undertake that they shall use their reasonable endeavours to procure that:

- 21.2.1 the Company maintains with a well-established and reputable insurer prudent insurance in accordance with current industry practice from time to time against all risks usually insured against by companies carrying on the same or similar business to the Business;
- 21.2.2 the Company keeps proper books of account and makes true and complete entries of all its dealings and transactions of and in relation to the Business; and
- 21.2.3 the Company shall use its best endeavours to obtain and maintain in full force and effect all approvals, consents or licences necessary for the conduct of the Business.



## 22 Intellectual property rights

### 22.1 Company's rights

Subject to the terms of the Technical Assistance and Services Agreement which shall govern the ownership of intellectual property developed during the course of services provided thereunder, any intellectual property rights (including, without limitation, patents, trade marks, service marks, registered designs, copyright, rights in designs, inventions and Confidential Information) which otherwise arise in the course of the Company's activities shall belong to the Company.

### 22.2 Licences

The Company shall and does hereby grants to each Qualifying Shareholder and its Associated Companies the non-exclusive royalty-free right and perpetual licence throughout the world to use, and sub-license the use of, the intellectual property rights referred to in Clause 22.1 above and those which arose/were developed during the time that such Qualifying Shareholder was a Qualifying Shareholder. For greater certainty, the customer lists and information of the Company shall not be considered intellectual property of the Company that is subject to the grant of the license described in this Clause 22, and shall be considered confidential information and property of the Company that is subject to the restrictions in Clause 25.

## 23 HSBC as a party to this Agreement

HSBC confirms to OBC, CB and the Company that, subject to compliance with all applicable laws and regulations, it will exercise its voting and other rights in relation to INAH to facilitate and ensure INAH's compliance with this Agreement.

## 24 Duration and termination

### 24.1 Duration

Subject to the other provisions of this Agreement, this Agreement shall continue in full force and effect without limit in point of time until the earlier of:

- 24.1.1 the Shareholders agreeing in writing to terminate this Agreement;
- 24.1.2 (if appropriate) upon the successful implementation of an Exit Proposal pursuant to Clause 14.3; and
- 24.1.3 an effective resolution is passed or a binding order is made for the winding-up of the Company other than to effect a scheme of reconstruction or amalgamation,

provided that this Agreement shall cease to have effect as regards any Shareholder who (together with its Associated Companies) ceases to hold any Shares, save for any of its provisions which are expressed to continue in force after termination.



## 24.2 Termination

Termination of this Agreement shall be without prejudice to any liability or obligation in respect of any matters, undertakings or conditions which shall not have been observed or performed by the relevant Shareholder prior to such termination.

## 25 Confidentiality

### 25.1 Confidential Information

The parties shall use all reasonable endeavours to keep confidential and to ensure that their respective Associated Companies and their respective officers, employees, agents and professional and other advisers keep confidential any information (the "Confidential Information"):

- 25.1.1 relating to the customers, Business, assets or affairs of the Company which they may have or acquire through ownership of an interest in the Company; and
- 25.1.2 relating to the customers, business, assets or affairs of the other parties or any member of their group which they may have or acquire through being a Shareholder or making appointments to the Board or through the exercise of its rights or performance of its obligations under this Agreement.

### 25.2 Restrictions

- 25.2.1 No party may use any Confidential Information for the purposes of competing with the Business of the Company or, in respect of the Confidential Information described in Clause 25.1 above use that information for any purpose except pursuing the Business of the Company, nor shall it disclose to any third party any Confidential Information without the consent of the other parties.
- 25.2.2 This Clause 25 does not apply to:
  - (i) information which is or becomes publicly available (otherwise than as a result of a breach of this Clause 25);
  - (ii) information which is independently developed by the relevant party or acquired from a third party, to the extent that it is acquired with the right to disclose it;
  - (iii) information which was lawfully in the possession of the relevant party free of any restriction on disclosure as can be shown by that party's written records or other reasonable evidence;
  - (iv) information which, following disclosure under this Clause 25, becomes available to the relevant party (as can be demonstrated by that party's written records or other reasonable evidence) from a source which is not bound by any obligation of confidentiality in relation to such information;
  - (v) the disclosure by a party of Confidential Information to its directors or employees or to those of its Associated Companies (a) who need



to know that Confidential Information for purposes relating to this Agreement but those directors and employees shall not use that Confidential Information for any other purpose or (b) who need to know that Confidential Information for the purpose of managing that party's investment in the Company or preparing management or other reports relating thereto, in accordance with that party's functional management responsibilities from time to time or (c) who need the information for the purposes of preparing any regulatory or financial reports in accordance with any applicable accounting policies or principles or other regulatory requirements;

- (vi) the disclosure of information to the extent required to be disclosed by law or any court of competent jurisdiction, any governmental official or regulatory authority (including any stock exchange on which the shares of a Shareholder (or any Associated Company of that Shareholder) are listed) or any binding judgment, order or requirement of any other competent authority;
- (vii) the disclosure of information to any tax authority to the extent reasonably required for the purposes of the tax affairs of the party concerned or any member of its group;
- (viii) the disclosure to a party's professional advisers of information reasonably required to be disclosed for purposes relating to this Agreement or to the professional advisers of any Associated Company who require such information for the purposes of preparing any financial reports in accordance with any applicable accounting policies or principles; and
- (ix) any announcement, or circular made, or information provided in accordance with the terms of Clause 19 (Competition with the Business).

**25.2.3** Each party shall inform any officer, employee or agent or any professional or other adviser advising it in relation to matters relating to this Agreement, or to whom it provides Confidential Information, that such information is confidential and shall instruct them:

- (i) to keep it confidential; and
- (ii) not to disclose it to any third party (other than those persons to whom it has already been or may be disclosed in accordance with the terms of this Clause 25).

**25.3 Damages not an adequate remedy**

Without prejudice to any other rights or remedies which a party may have, the parties acknowledge and agree that damages would not be an adequate remedy for any breach of this Clause 25 and the remedies of injunction, specific performance and other equitable relief are appropriate for any threatened or actual breach of any such provision and no proof of special damages shall be necessary for the enforcement of the rights under this Clause 25.



**25.4 Survival**

- 25.4.1 The disclosing party shall remain responsible for any breach of this Clause by the person to whom that confidential information is disclosed.
- 25.4.2 The provisions of this Clause 25.4 shall survive the termination of this Agreement for whatever cause for a period of five (5) years.

**25.5 Due diligence by third party offeror**

Notwithstanding anything in this Clause 25, if a Shareholder receives a *bona fide* offer or expression of interest from a third party (not being a Competitor) to purchase all or some of the Shares held by the Shareholder (a "Third Party Offer"), then:

- 25.5.1 upon notifying the other Shareholders; and
- 25.5.2 upon entering into a confidentiality agreement with the third party in a form reasonably acceptable to the parties,

the Shareholder shall be entitled to provide to the third party such legal, financial, commercial, technical and other information in relation to the Company as is reasonable to enable the third party to make a fair assessment of the value of the Shares which are the subject of the Third Party Offer. If appropriate, the parties agree to make senior executives of the Company available in connection with any third party offer to such extent as is reasonable in all the circumstances.

**25.6 Exit Proposal**

A Qualifying Shareholder shall be entitled to provide to any third party in connection with an Exit Proposal, such legal, financial, commercial, technical and other information in relation to the Company as is reasonable to enable the third party to make a fair assessment of the value of the Shares such third party may be agreeing to acquire pursuant to the Exit Proposal, subject to such third party entering into appropriate agreements to keep such information confidential.

**26 Arbitration**

**26.1 Amicable resolution**

Any dispute arising out of or in connection with this Agreement shall be referred first to the chairman of each of the parties for resolution who shall together endeavour to resolve the dispute in good faith through informal discussions. Any chairman may, with the consent of the other chairmen, nominate an independent third party acceptable to the other chairmen to act as mediator to assist them to resolve the dispute.

**26.2 Arbitration**

- 26.2.1 Subject to Clauses 14 and 26.1, and except as otherwise provided in this Agreement, any dispute arising out of or in connection with this Agreement, including a dispute as to the validity or existence of this Agreement and/or this Clause 26, which cannot be settled amicably by the parties shall be



resolved by arbitration in India conducted in English by a single arbitrator appointed by mutual agreement between the parties, pursuant to the Arbitration Act. If the parties fail to decide upon a sole arbitrator within 30 Business Days from the receipt of a request by one party from the other party(ies) to so agree, the appointment shall be made, upon request of a party, by the Chief Justice of India or any person or institution designated by him.

26.2.2 The parties agree that the arbitral award shall be final and binding and the parties to the arbitration will give effect to any such award. The parties to the arbitration shall not appeal an award to any court. However, any party to the arbitration may make an application to any court having jurisdiction for judgment on the award to be entered and/or for enforcement of any award, including enforcement of any award granting interlocutory relief.

## 27 Notices

### 27.1 Addresses

Any notice, claim or demand in connection with this Agreement or with any arbitration under this Agreement shall be in writing in English (each, a "Notice") and shall be sufficiently given if delivered or sent to the recipient at its fax number, telex number or address set out below or to any other fax number, telex number or address notified to the sender by the recipient for the purposes of this Agreement and marked "IMPORTANT LEGAL NOTICE".

27.1.1 A Notice to CB shall be sent to the following address:

Address: 112, J.C. Road, Bangalore 560002, Karnataka, India

Fax: 91 80 2222 3168/ 91 80 2223 8406

Attention: Chairman and Managing Director/ The General Manager,  
Subsidiaries Division

Email: cmdscrt@canbank.co.in

27.1.2 A Notice to INAH shall be sent to the following address:

Address: 18/F, Tower 1, HSBC Centre, 1 Sham Mong Road, Kowloon,  
Hong Kong

Fax: 852 2288 6851

Attention: Eva Ho (Assistant Secretary).

27.1.3 A Notice to OBC shall be sent to the following address:

Harsha Bhawan, E Block, Connaught Place, New Delhi 110001, India

Fax: 91 11 2341 1514

Attention: Chairman and Managing Director.

Email: obccmd@bsnl.com

27.1.4 A Notice to HSBC shall be sent to the following address:

Address: 1 Queen's Road, Central, Hong Kong

Fax: 852 2845 9239

Attention: Mike Scales (Company Secretary)

## 27.2 Form

Any Notice shall be in writing in English and may be sent by messenger, fax, registered post or by email. Any Notice shall be deemed to have been received:

27.2.1 at the time it is delivered, if sent by messenger;

27.2.2 on the next working day in the place to which it is sent, if sent by fax;

27.2.3 90 hours from the time of posting, if sent by post; and

27.2.4 if sent by email, when a hard copy confirmation of the contents of the email delivered in any of the above modes is received or deemed to have been received.

## 28 Whole agreement and remedies

### 28.1 Whole agreement

This Agreement contains the whole agreement between the parties relating to the subject matter of this Agreement at the date hereof to the exclusion of any terms implied by law which may be excluded by contract and supersedes any previous written or oral agreement between the parties in relation to the matters dealt with in this Agreement. In this Clause 28, "this Agreement" includes all documents entered into pursuant to this Agreement.

### 28.2 No inducement

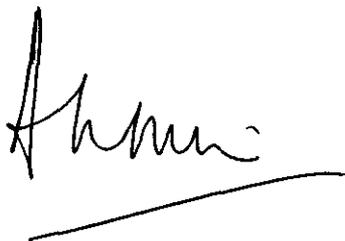
Each of the Shareholders acknowledges that it has not been induced to enter into this Agreement by any representation, warranty or undertaking not expressly incorporated into it.

### 28.3 Remedies

So far as permitted by law and except in the case of fraud, each party agrees and acknowledges that its only right and remedy in relation to any representation, warranty or undertaking made or given in connection with this Agreement shall be for breach of the terms of this Agreement to the exclusion of all other rights and remedies (including those in tort or arising under statute).

### 28.4 Legal advice

Each party to this Agreement confirms it has received independent legal advice relating to all the matters provided for in this Agreement, including the provisions of



this Clause 28, and agrees, having considered the terms of this Clause 28 and the Agreement as a whole, that the provisions of this Clause 28 are fair and reasonable.

## 29 General

### 29.1 Survival of rights, duties and obligations

Termination of this Agreement for any cause shall not release a party from any liability which at the time of termination has already accrued to another party or which thereafter may accrue in respect of any act or omission prior to such termination.

### 29.2 Conflict with the Articles

In the event of any ambiguity or discrepancy between the provisions of this Agreement and the Articles, it is intended that the provisions of this Agreement shall prevail and accordingly the Shareholders shall exercise all voting and other rights and powers available to them so as to give effect to the provisions of this Agreement and shall further if necessary procure any required amendment to the Articles. The Company is not bound by this Clause 29.

### 29.3 No partnership or agency

29.3.1 Nothing in this Agreement shall be deemed to constitute a partnership between the parties nor constitute any party the agent of any other party for any purpose.

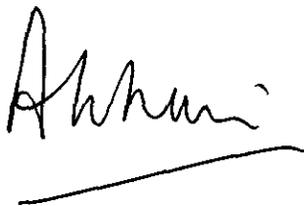
29.3.2 The parties shall have exclusive control over their respective employees in the conduct of activities under this Agreement. No party shall be constituted as an agent of another party for any purpose whatsoever and the parties are expressly prohibited from doing any acts which do or may create the impression or inference that one party is an agent of the other party. Further, no party is granted any right or authority to create any obligation or responsibility, express or implied, on behalf of, or in the name of any other party in any manner whatever.

### 29.4 Release etc.

Any liability to any party under this Agreement may in whole or in part be released, compounded or compromised or time or indulgence given by that party in its absolute discretion as regards any party under such liability without in any way prejudicing or affecting its rights against any other party under the same or a like liability, whether joint and several or otherwise.

### 29.5 Waiver

No failure of any party to exercise, and no delay by it in exercising, any right, power or remedy in connection with this Agreement (each, a "Right") shall operate as a waiver of that Right, nor shall any single or partial exercise of any Right preclude any other or further exercise of that Right or the exercise of any other Right. The



Rights provided in this Agreement are cumulative and not exclusive of any other rights (whether provided by law or otherwise). Any express waiver of any breach of this Agreement shall not be deemed to be a waiver of any subsequent breach.

**29.6 Variation**

No variation of this Agreement shall be effective unless in writing and signed by or on behalf of each of the parties.

**29.7 Assignment**

This Agreement shall be binding on and inure to the benefit of the parties and their successors and permitted assigns. The parties may not assign or transfer all or any part of their rights or obligations under this Agreement or any benefit arising under or out of this Agreement without the prior written consent of the other parties.

**29.8 Time of the essence**

Time shall be of the essence of this Agreement, both as regards any dates, times and periods mentioned and as regards any dates, times and periods which may be substituted for them in accordance with this Agreement or by agreement in writing between the parties.

**29.9 Further assurance**

At any time after the date of this Agreement, the parties shall, and shall use all reasonable endeavours to procure that any necessary third party shall, at the cost of the relevant party execute such documents and do such acts and things as that party may reasonably require for the purpose of giving to that party the full benefit of all the provisions of this Agreement.

**29.10 Invalidity**

If any provision in this Agreement shall be held to be illegal, invalid or unenforceable, in whole or in part, under any enactment or rule of law, such provision or part shall to that extent be deemed not to form part of this Agreement but the legality, validity and enforceability of the remainder of this Agreement shall not be affected.

**29.11 Counterparts**

This Agreement may be entered into in any number of counterparts, all of which taken together shall constitute one and the same instrument. Any party may enter into this Agreement by executing any such counterpart.

**29.12 Costs**

Each party shall bear all costs incurred by it in connection with the preparation, negotiation and entry into this Agreement and the documents to be entered into pursuant to it, except that the Shareholders shall be jointly and severally responsible for such costs reasonably incurred by the Company, including any interest thereon and shall on demand reimburse to the Company the amount of such costs.



**30 Governing law**

This Agreement and the documents to be entered into pursuant to it shall be governed by and construed in accordance with the laws of India (regardless of its or any other jurisdiction's conflicts of law principles).

In witness whereof this Agreement has been duly executed.

SIGNED BY **CANARA BANK** in the presence of:  
D. L. Rawal  
  
(Signature)

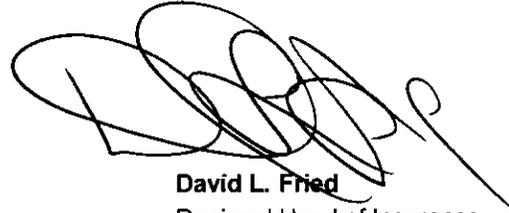
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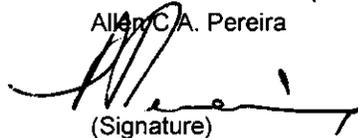
**M.B.N.Rao**  
Chairman & Managing Director

SIGNED by **HSBC INSURANCE (ASIA-PACIFIC) HOLDINGS LTD.** in the presence of:  
Bruce A Howe  
  
(Signature)

}



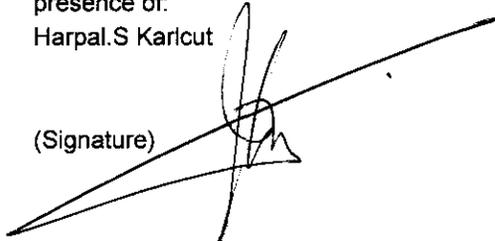
**David L. Fried**  
Regional Head of Insurance  
Asia Pacific

SIGNED by **ORIENTAL BANK OF COMMERCE** in the presence of:  
Allen C.A. Pereira  
  
(Signature)

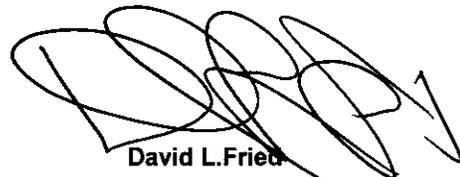
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**Alok Kumar Misra**  
Chairman & Managing Director

SIGNED by **THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED** in the presence of:  
Harpal.S Karicut  
  
(Signature)

}



**David L. Fried**  
Regional Head of Insurance  
Asia Pacific

**Schedule 1  
Deed of Adherence**

THIS DEED OF ADHERENCE is made on [DATE] by [ ] of [ ] (the "Covenantor")

SUPPLEMENTAL to a Shareholders' Agreement dated [DATE] and made between Canara Bank, HSBC Insurance (Asia-Pacific) Holdings Ltd., Oriental Bank of Commerce and The Hongkong and Shanghai Banking Corporation Limited (the "Agreement").

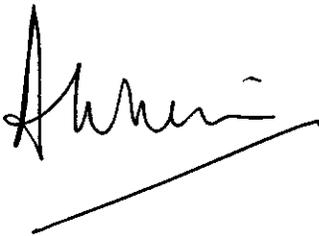
The Covenantor covenants as follows:

- 1 The Covenantor confirms that it has been supplied with and has read a copy of the Agreement and covenants with each of the persons named in the Schedule to this Deed (the "Scheduled Persons") to be bound by the Agreement in all respects as if the Covenantor was a party to the Agreement and observe, perform and be bound by all the terms of the Agreement which are applicable to or binding on it under the Agreement or are capable of applying to the Covenantor and which have not been performed at the date of this Deed to the intent and effect that the Covenantor shall be deemed with effect from the date on which the Covenantor is registered as a member of the Company to be a party to the Agreement (as if named as a party to that Agreement).
- 2 This Deed shall be governed by and construed in accordance with English law and the Covenantor hereby submits irrevocably to the non-exclusive jurisdiction of the courts in Mumbai, India (but accepts that this Deed may be enforced in any court of competent jurisdiction) and hereby appoints a person resident in India and reasonably acceptable to the Board of the continuing Shareholder as its agent for service of all process in any proceedings in respect of the Agreement.
- 3 The address and facsimile number of the Covenantor for the purposes of the Agreement is as follows:

[•]

EXECUTED as a deed on the date written above.

**Schedule  
[Parties to Agreement including those who have executed earlier Deeds of  
Adherence]**



**Schedule 2**  
**Broad Principles for the Distribution Agreement**

The Distribution Agreements shall be drafted in accordance with the following guiding principles:

- (i) Distributors cannot distribute life insurance products of anyone other than the Company unless the Company does not have a relevant product, or unless the Company in its launch phase has not got the capacity to provide such products at the time that they are requested by a Shareholder, and in either case the Company has confirmed the same in writing to the Shareholder who requests such a product, In such cases Shareholders may sell such relevant product of other providers, as may be permitted by law, until such time as the Company advises the Shareholder that a relevant product is available and ready to be distributed by the Company in place of such competitor product.
- (ii) There should be an exclusivity for a period of five (5) years from the Completion Date.
- (iii) The Distribution Agreements will have an initial term of five (5) years and they shall be renewable thereafter (at the option of the parties thereto) for further terms of five (5) years each.
- (iv) The pricing is to be on market competitive terms having regarding to the following factors:
  - (a) the commission payable;
  - (b) the costs of operating the product;
  - (c) the services and assistance provided to the distributor; and
  - (d) the strength of underwriting the distributor desires.
- (v) Distributors shall provide continuous local market knowledge to the Company at no cost.
- (vi) Nothing in the agreement shall preclude a Shareholder or its Associated Companies from receiving commission revenue for products sold by it/them from another provider prior to the coming into effect of the Distribution Agreements, or in the case of a relevant product not available as outlined in paragraph (i) above, prior to the point at which the Company provides written notice that a relevant product is available.

