



LIFE INSURANCE

CANARA HSBC LIFE INSURANCE COMPANY LIMITED
CIN : L66010DL2007PLC248825

Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions

Owned by: Corporate Governance

Version no. : 2.0

Release Date : 26th March 2025

Version History

Release Date	Version	Revision Description	Approved By
09/08/2016	1.0	Initial version	Audit Committee/ Board
09/08/2017	1.1	Minor modification	Audit Committee/ Board
23/07/2018	1.2	Minor modification	Audit Committee/ Board
13/02/2019	1.3	Minor changes to align with the provisions of the law	Audit Committee/ Board
14/08/2019	1.4	Minor changes	Audit Committee/ Board
12/08/2020	1.5	Minor changes	Audit Committee/ Board
23/07/2021	1.6	Changes as per IRDAI Corporate Governance Guidelines 2016	Audit Committee/ Board
02/09/2022	1.7	No changes	Audit Committee/ Board
28/08/2023	1.8	Minor changes	Audit Committee/ Board
22/07/2024	1.9	Changes to align with the applicable laws	Audit Committee/ Board
20/03/2025	2.0	Re-instated Policy to comply with the SEBI LODR Regulations	Audit Committee
26/03/2025	2.0	Re-instated Policy to comply with the SEBI LODR Regulations	Board

1. BACKGROUND

- 1.1. Canara HSBC Life Insurance Company Limited (the “**Company**”) has formulated this Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions (“**Policy**”) in accordance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended (“**LODR Regulations**”), Section 177 and 188 of the Act (*defined below*) and IRDAI Regulations (*defined below*) to regulate transactions between the Company and its Related Parties.
- 1.2. The Board of directors of the Company (“**Board**”) has adopted this Policy upon the recommendation of the Audit Committee of the Board (“**Audit Committee**”) and the Policy shall become effective from the date of listing of the equity shares of the Company on stock exchanges and until that time, version 1.9 of this Policy will apply to the Company.

1. PURPOSE

- 2.1. The purpose of this Policy is as follows:
 - i. Identification of related parties and related party transactions;
 - ii. Determination of transaction(s) in the ordinary course of business and method of determining arm's length pricing;
 - iii. Defining materiality of related party transactions and material modifications;
 - iv. Laying down the governance framework for approval and disclosure of related party transactions.

2. DEFINITIONS

In this Policy, the following words and expressions shall have the meanings set forth below:

- 3.1. “**Act**” means the Companies Act, 2013 and rules prescribed thereunder, as may be amended from time to time;
- 3.2. “**Arm's Length Transaction**” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

A transaction with a related party will be considered to be on arm's length basis if the key terms, including pricing of the transaction, taken as a whole, are comparable with those of similar transactions if they would have been undertaken with unrelated parties. Arm's length pricing will be determined accordingly;
- 3.3. “**IRDAI**” means Insurance Regulatory and Development Authority of India;
- 3.4. “**IRDAI Regulations**” means the Insurance Regulatory and Development Authority of India (Corporate Governance for Insurers) Regulations, 2024 and other applicable regulations and circulars issued by the IRDAI, including the Master Circular on Corporate Governance for Insurers, 2024, as may be amended from time to time;
- 3.5. “**Key Managerial Personnel**” or “**KMP**” shall have the meaning as defined under section 2(51) of the Companies Act 2013 and the rules made thereunder;
- 3.6. “**Material Modification**” subsequent to entering into a contract or arrangement for a Related Party Transaction, shall mean any modification in the basis of pricing of an existing Related Party Transaction having variance of more than 20% of the

existing approved limit or by which the transaction ceases to be in ordinary course and/or on arm's length basis or such other parameter as may be determined by the Audit Committee from time to time.

3.7. **"Material Related Party Transaction"** as per Regulation 23 of Listing LODR Regulations shall mean a transaction with a Related Party, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ₹ 1,000 Crore or 10% of the annual turnover of the Company as per its last audited financial statements, whichever is lower.

Provided that a transaction involving payments to be made to a Related Party with respect to brand usage or royalty shall be considered material if the transaction to be entered into individually or taken together with previous transactions during a financial year, exceeds 5% of the annual turnover of the Company, as per its last audited financial statements.

3.8. **"Related Party"** shall have the same meaning as defined in Section 2(76) of the Act and rules prescribed thereunder, Regulation 2(1)(zb) of the LODR Regulations or under applicable accounting standards, each as amended from time to time.

3.9. **"Related Party Transaction"** shall mean a transaction involving transfer of resources, services, or obligations between: (i) the Company on the one hand and a Related Party of the Company on the other hand; and (ii) the Company on the one hand and any other person/ entity on the other hand, the purpose and effect of which is to benefit a Related Party of the Company, regardless of whether a price is charged and a transaction with a Related Party shall be construed to include single transaction or a group of transactions in a contract.

The following shall not be considered as Related Party Transactions:

- a. issue of securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended;
- b. following corporate actions which are uniformly applicable/ offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy- back of securities;
- c. purchase of insurance policies by directors or employees from the Company, at the terms which are uniformly applicable/ offered to all employees and directors.

3.10. **"Relative"** means persons as defined in Section 2(77) of the Act and rules prescribed thereunder;

3.11. **"SEBI"** shall mean Securities and Exchange Board of India;

3.12. **"Transactions in the ordinary course of business"** shall mean usual transactions, customs and practices undertaken by the Company to conduct its business operations and incidental activities and include all such activities which the Company can undertake as per its Memorandum of Association or is required to undertake as

a legal/ regulatory requirement/ direction and are reasonable in the context of the business of the Company.

To decide whether an activity which is carried on, is in the 'ordinary course of business', the Company may consider, whether the activity is in furtherance of the business, whether the activity is normal or otherwise routine for its business, whether the income, if any, earned from such activity/ transaction is treated as business income in the Company's books of account and whether the transactions are common in the particular industry.

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

Some examples for transactions in the ordinary course of business are – a) underwriting and renewal of insurance contracts/ policies, either individual or group; b) ceding of re-insurance; c) payout of maturity value, surrender value or claim pursuant to an underwritten insurance contract; d) grant of loan against an underwritten insurance contract; e) transactions entered into pursuant to any agreement for distribution of insurance products of the Company, by whatever name called; f) Commission for sale of life insurance policies; g) expenses towards property leasing; h) transactions which are part of standard industry practice, even though the Company may not have done it in the past i) sale and purchase of investments with related parties as counterparties/ issuers in the ordinary course of business, j) interest/ income on debt securities/ mutual funds issued by related parties, k) any fees/ brokerage paid for services provided by related party in ordinary course of business, and k) any other transaction which is entered into by the Company in order to comply with any rules, regulations, guidelines, and/ or directions issued by the IRDAI and any other regulatory authority, to the extent applicable or required.

The Audit Committee may additionally, lay down other principles for determining ordinary course of business in accordance with the statutory requirements and other industry best practices.

3. DEALING WITH RELATED PARTY TRANSACTIONS

Audit Committee Approval

- 4.1. All Related Party Transactions including Material Modifications, if any, shall require prior approval of the Audit Committee. Only those members of the Audit Committee who are independent directors shall approve Related Party Transactions. The Audit Committee shall consider all relevant factors and material information while deliberating the proposal.
- 4.2. Remuneration and sitting fees paid by the Company to its director, KMP or Senior Management (*as defined in the LODR Regulations*), except who is part of promoter or promoter group, shall not require approval of the Audit Committee unless such transaction is a Material Related Party Transaction.
- 4.3. Omnibus approval by Audit Committee:
 - 4.3.1. The Audit Committee may grant omnibus approval for Related Party Transactions that are repetitive in nature, subject to certain conditions and criteria, including specified limits, as may be determined by the Audit Committee in line with the provisions of the Act and Regulation 23 of the

LODR Regulations. The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company.

- 4.3.2. The omnibus approval shall be valid for a period not exceeding one financial year and shall be given in the best interest of the Company and all the stakeholders. The Audit Committee may impose further conditions or limits in relation to Related Party Transactions as it deems fit.
- 4.3.3. The omnibus approval accorded by the Audit Committee shall specify (i) the name of the Related Party, (ii) nature, period and maximum amount of transaction that can be entered into, (iii) indicative base price/ current contracted price and formula for variation in price, if any and (iv) any other details as the Audit Committee may deem fit or as stipulated by the Company from time to time.

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding ₹ 1 crore per transaction.

- 4.3.4. The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to an omnibus approval, vis-à-vis the limits granted.
- 4.4. Where the Audit Committee does not approve the Related Party Transactions, it shall make its recommendations to the Board.

Board Approval

- 4.5. Consent of the Board will be required, by a resolution at a meeting of the Board, for entering into Related Party Transactions within the thresholds specified in Section 188 of the Act and which are (i) not in the ordinary course of business, or (ii) not at arm's length.
- 4.6. The Board shall consider factors such as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for the proposed transaction, before providing approval for the same.
- 4.7. Members of the Audit Committee/ Board shall not participate in the voting process on Related Party Transactions, in case they are interested in the transactions.

Shareholders' Approval

- 4.8. As per the provisions of Section 188 of the Act read with the rules made thereunder, Related Party Transactions that are not in the ordinary course of business or are in ordinary course of business but not at arm's length and exceed the threshold limits specified in the Act, shall be placed before the shareholders of the Company for approval in a General Meeting. Any member of the Company being a Related Party shall not vote on such resolution, unless otherwise exempted as per provisions of the Act.
- 4.9. All Material Related Party Transactions including subsequent Material Modifications thereto, if any, shall require prior approval of the shareholders through a resolution

and no Related Party shall vote to approve resolution irrespective of whether the Related Party is a part of particular transaction or not.

4.10. While seeking prior approval for entering into Related Party Transactions under this Policy, the Audit Committee and the shareholders (as applicable) shall be provided with the information and details as per the requirements stipulated under applicable law, including the LODR Regulations and applicable industry standards.

4. RATIFICATION

In case the Company becomes aware of any Related Party Transaction(s) that has been entered into without obtaining approval of the Audit Committee, the same can be ratified by the members of Audit Committee who are independent directors, within a period of three months from the date of entering into the Related Party Transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, subject to the applicable provisions of the Act, LODR Regulations and other applicable laws, including the following conditions:

- (i) the value of the ratified transaction(s) with a Related Party, whether entered into individually or taken together, during a financial year does not exceed ₹ 1crore;
- (ii) the transaction is not a Material Related Party Transaction;
- (iii) rationale for inability to seek prior approval for the transaction is placed before the Audit Committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of Related Party Transactions in terms of Regulation 23(9) of the LODR Regulations;
- (v) any other condition as specified by the Audit Committee:

5. DISCLOSURES WITH RESPECT TO RELATED PARTY TRANSACTIONS

6.1. The Company shall make all appropriate disclosures of Related Party Transactions in various reports, wherever applicable and as may be required under applicable laws, including but not limited to the following:

- (i) every contract or arrangement entered with Related Parties with the approval of Board/ Shareholders in line with Section 188 of the Act shall be referred in the Board's Report to the shareholders along with the justification for entering into such contract or arrangement;
- (ii) the Company shall disclose this Policy on its website and a web link thereto shall be provided in the Annual Report;
- (iii) the Company shall, every six months on the date of publication of its financial results, submit to the stock exchanges disclosures of Related Party Transactions in the format as specified by SEBI from time to time and publish the same on its website.
- (iv) As required by the IRDAI Regulations, the disclosures about payments made by the Company to Related Parties out of the policyholders' funds, shall be made as a part of the Related Party disclosures to be made by the Company.

6. REVIEW AND AMENDMENT(S)

The Policy shall be reviewed and approved by the Board of Directors on the recommendation of Audit Committee annually, or as frequently as may be prescribed under the applicable laws or as may be prescribed by the Board.

In case any amendments or clarifications are issued by the relevant regulatory authorities which are not consistent with the provisions laid down under this Policy, then such amendments clarifications, etc. shall prevail and this Policy shall stand amended to that extent. Necessary changes to the Policy will be presented and incorporated in the immediate next meeting of the Audit Committee/ Board.
