



HDFC ERGO GENERAL INSURANCE COMPANY LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

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I Background:

The Companies Act, 2013 (the Act) and the rules framed thereunder contain detailed provisions w.r.t compliance and approval requirements regarding related party transactions.

Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations), as amended requires listed companies to formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the Board of Directors.

In terms of the provisions of Guidelines on Corporate Governance for Insurers (CG Guidelines) issued by the Insurance Regulatory and Development Authority of India (IRDAI) vide circular no. IRDA/F&A/GDL/CG/100/05/2016 dated May 18, 2016, the Company shall formulate a Policy on Related Party Transactions laying down the following:

- a) Definition of Transactions in the ordinary course of the insurance business giving examples specific to the insurance company.
- b) Method of determination of arm's length pricing.
- c) List of items requiring approvals from various authorities, Audit Committee, Board, Shareholders etc.
- d) Any other matter relevant to the Related party transactions.

Accordingly, this Policy has been formulated detailing various requirements to be adhered to while entering into transactions between the Company and its related parties (RPs) and briefly explains the regulatory provisions in respect of RP Transactions contained in the Act and the rules made thereunder, LODR regulations, test for arm's length transactions, meaning of ordinary course of business and an illustrative list of Company's transactions with RP in the ordinary course of business.

II Objective/ Principle:

Though it is important that the Company avails / provides services of / to its RPs including Promoter and Promoter Group Companies (coming within the purview of RPs) as part of normal business, it shall be ensured that there is no indirect transfer of resources without valuable consideration. Whilst transactions with RPs may be a business necessity, it shall be ensured that the above principle is strictly adhered to and there shall not be any undue favor or advantage to RPs and if there are any, the same shall be duly documented and prior approval of the Board / Audit Committee or shareholders as may be required shall be obtained.

III Legal Provisions/Definitions:

a. **Applicable Law:**

The Applicable Law includes (a) the Act and rules made thereunder, as amended from time to time; (b) the LODR Regulations, as amended from time to time; (c) applicable Accounting Standards; and (d) any other statute, law, standards, regulations or other governmental circulars, notifications or instructions (including circulars, notifications and guidance issued by the Securities and Exchange Board of India, from time to time) relating to Related Party Transactions as may be applicable to the Company.

b. **Audit Committee:**

The term “**Audit Committee**” means the committee of Board of Directors constituted in accordance with the provisions of Section 177 of the Act and rules made thereunder and Regulation 18 of the LODR Regulations.

c. **Arm’s Length Transaction:**

Explanation (b) to Section 188(1) of the Act defines an “**arm’s length transaction**” to mean a transaction between two related parties that is conducted as if they were unrelated, *so that there is no conflict of interest*.

In terms of Para 3A(1) of the CG Guidelines, in the case of insurance cover given by the insurance company to the group companies, price/ premium quoted by the companies under Guidelines on Product Filing Procedures for General Insurance Products specified by IRDAI (F&U Guidelines) should be considered as arm’s length.

For the purpose of determining the arm’s length price w.r.t transactions with RPs other than sale of insurance policies or payment of commission to Corporate Agents (payable as per IRDAI Regulations) who are related parties, the Company may follow methods such as comparable price method, cost plus method, recent similar transaction value, etc., as appropriate.

d. **Associate Company:**

In terms of Section 2(6) of the Act “**associate company**” in relation to another company, means a company in which that other company has a **significant influence**, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

In terms of explanation (a) to the said Section 2(6), “significant influence” means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an agreement.

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In terms of explanation (b) to said Section 2(6), “joint venture” means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

e. **Body Corporate or Corporation:**

In terms of Section 2(11) of the Act “**body corporate**” or “**corporation**” includes a company incorporated outside India, but does not include-

A co-operative society registered under any law relating to co-operative societies; and any other body corporate (not being a company as defined in the Act), which the Central Government may, by notification, specify in this behalf.

f. **Holding Company:**

In terms of Section 2(46) of the Act “**holding company**”, in relation to one or more other companies, means a company of which such companies are subsidiary companies.

The expression “company” includes any body corporate.

g. **Key Managerial Personnel:**

In terms of Section 2(51) of the Act “**key managerial personnel**”, means-

- The Managing Director and CEO;
- the Whole-time Directors;
- the Chief Financial Officer;
- the Company Secretary;
- such other Executive, not more than one level below the Whole-time Directors, designated as key managerial personnel by the Board, from time to time.

h. **Net Worth:**

“**Net worth**” as per Section 2(57) of the Act, means the aggregate value of the paid-up share capital and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

i. **Ordinary course of business:**

Ordinary course of business would include usual transactions, customs and practices undertaken by the Company to conduct its business operations and

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activities and all such activities which the Company can undertake as per Memorandum & Articles of Association.

j. Promoter:

'Promoter' shall mean Promoter as defined under the Act read with LODR Regulations and SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

k. Promoter Group:

'Promoter group' shall mean Promoter as defined under the Act read with LODR Regulations and SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018,

l. Related Party (RP):

'Related party' as per Section 2(76) of the Act, read with Rule 3 of the Companies (Specification of definitions details) Rules, 2014 and Regulation 2(1)(zb) of LODR Regulations, with reference to a company means the following:

- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager or his relative is a member or director;
- (v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent. of its paid-up share capital;
- (vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- (viii) any body corporate which is—
 - (A) a holding, subsidiary or an associate company of such company; or
 - (B) a subsidiary of a holding company to which it is also a subsidiary; or
 - (C) an investing company or the venture of the company.

Explanation: "the investing company or the venture of a company" means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

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- (ix) A director (other than an Independent Director) or key managerial personnel of the holding company or his relative (Rule 3 of the Companies (Specification of definitions details) Rules, 2014).
- (x) Any person or entity forming part of the promoter or promoter group of the Company or any person or any entity holding equity shares of ten per cent or more in the Company either directly or on a beneficial interest basis as provided under Section 89 of the Act, at any time, during the immediate preceding financial year.

As per Standard 10.1 of Accounting Standard 18 (AS - 18) pertaining to Related Party Disclosures notified by the Companies (Accounting Standards) Rules, 2006, a Related Party is defined as follows –

Parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

AS - 18 applies to the following related party relationships:

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

AS - 18 further defines the terms 'control' and 'significant influence' as follows –

Control –

- a) ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or
- b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or
- c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies.

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Significant Influence –

Participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.

m. Related Party Transaction:

‘Related party transaction’ as per Regulation 2(1)(zc) of the LODR Regulations, read with Standard 10.2 of Accounting Standard 18 means a transaction involving a transfer of resources, services or obligations between :

- (i) listed entity or any of its subsidiaries on one hand and a related party of listed entity or any of its subsidiaries on the other hand; or
- (ii) listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries;

regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract.

In terms of proviso to Regulation 2(1)(zc) of the LODR Regulations, following shall not be considered as a related party transaction:

- (a) Issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018,
- (b) Following Corporate actions by the listed entity 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.

A “transaction” with a related party shall be construed to include single transaction or a group of transactions in a contract.

n. Material Related Party Transactions :

In terms of Regulation 23 of the LODR Regulations, **Material Related Party Transaction** means a transaction with a RP, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees 1,000 crore (one thousand crore) or 10% (ten per cent) of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower. [‘MRPT’]

As regards, transaction with RP with respect to brand usage or royalty the same shall be considered as MRPT if the same individually or taken together with previous

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transactions during a financial year, exceed 5% (five percent) of the annual GWP as per the last audited financial statements of the Company.

The Company would follow the above criteria for determination of MRPT, which would require prior approval of shareholders in addition to the approval of the Audit Committee and Board.

As stipulated under Regulation 23 of LODR Regulations, only Independent Directors of ACC shall have power to approve a transaction with RP and subsequent material modifications to the RP transactions. For this purpose, 'material modification' shall mean extending the tenure of the arrangement by more than 6 (six) months or revising the price upwards by more than 10% (ten percent) of originally contracted price.

o. Relative:

'**Relative**' as per Section 2(77) of the Act and Regulation 2(1)(zd) of LODR Regulations, with reference to any person, means anyone who is related to another, if-

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) one person is related to the other in the following manner: (Rule 4 of the Companies (Specification of definitions details) Rules, 2014):-
 - 1) Father including step-father.
 - 2) Mother including step-mother.
 - 3) Son including step-son.
 - 4) Son's wife.
 - 5) Daughter.
 - 6) Daughter's husband.
 - 7) Brother including step-brother;
 - 8) Sister including step-sister.

Any other term not defined herein shall have the same meaning as defined in the Act or LODR Regulations or any other applicable law or regulation and as amended from time to time.

p. Subsidiary Company:

In terms of Section 2(87) of the Act "**subsidiary company**" or "**subsidiary**", in relation to any other company (that is to say the holding company), means a company in which the holding company—

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies.

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Explanation:

- A. A company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company
- B. The composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- C. The expression "company" includes any body corporate.

q. Undertaking:

Explanation (i) to Section 180(1)(a) of the Act defines "**undertaking**" to mean an undertaking in which the investment of the Company exceeds twenty per cent. of its net worth as per the audited balance sheet of the preceding financial year or an undertaking which generates twenty per cent. of the total income of the Company during the previous financial year.

IV Approval Matrix:

The threshold limits specified for approval of RP Transactions shall be as specified in the Act and LODR Regulations, from time to time. All RP Transactions by the Company with RPs shall be subject to following approval matrix, as may be applicable:

Provisions	Ceiling on the Amount	Approval required		
		Audit Committee	Board of Directors	Shareholders (Ordinary Resolution)
(i) Transactions in the ordinary course of business and on arm's length basis				
a. For all transactions except name/brand/trademark usage or royalty	Upto Rs.1,000 crore or 10% (ten percent) of the annual GWP as per the last audited financial statements of the Company, whichever is lower	√	-	-
b. For payment w.r.t name/brand/trademark usage or royalty	Upto 5% (five percent) of the annual GWP as per the last audited financial statements of the Company	√	-	-
For a & b	In excess of above limits	√	√	√
(ii) Any transaction with related parties under Section 188 of the Act (i.e., which is not on arms' length or not in ordinary course of business), irrespective of the specified materiality threshold, will require an				



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Provisions	Ceiling on the Amount	Approval required		
		Audit Committee	Board of Directors	Shareholders (Ordinary Resolution)
approval from the Board of Directors of the Company. Such transactions that are above the threshold specified in the relevant rules framed under Section 188 of the Act, will also require an approval of the Shareholders of the Company by way of an ordinary resolution.				

A. Audit Committee Approval:

All related party transactions shall require prior approval of the Audit Committee.

As per Regulation 23(2) of LODR Regulations, only Independent Directors who are members of the Audit Committee of Directors shall approve transaction with RPs and subsequent material modifications.

1. Omnibus Approval by Audit Committee

In terms of Section 177 of the Act and Regulation 23(3) of LODR Regulations, the Audit Committee may grant omnibus approval for related party transactions proposed to be entered into by the Company, after considering various criteria, such as:

- i. Transactions are in the ordinary course of business and repetitive in nature,

The maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a year shall be 35% of the annual GWP of the Company as per its last audited financial statements. The same excludes flowing balances in various current accounts maintained by the Company with HDFC Bank Limited.

- ii. Transactions exceeding threshold specified for MRPT shall be subject to approval of shareholders
- iii. Transactions of following nature shall not be subject to the omnibus approval:
 - a. Transactions which are not at arm's length or not in the ordinary course of business;
 - b. Transactions which are not repetitive in nature;
 - c. Transactions in respect of selling / disposing of the Company's undertaking;
- iv. While seeking omnibus approval for a transaction with a Related Party, all following facts pertaining to the transaction, as available, shall be placed before the Audit Committee:

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- a. Type and terms and particulars of the proposed transaction;
 - b. Name of the related party and its relationship with the Company, including nature of its concern or interest (financial or otherwise);
 - c. Tenure of the proposed transaction;
 - d. Value of the proposed transaction;
 - e. The percentage of the Company's annual GWP, for the immediately preceding financial year, that is represented by the value of the proposed transaction;
 - f. Justification as to why the RPT is in the interest of the Company;
 - g. A copy of the valuation or other external party report, if any such report has been relied upon;
 - h. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
 - i. Any other information that may be relevant.
- v. ACC shall satisfy itself about justification for need of omnibus approval and repetitiveness of the transactions and ensure that such approval is in the Company's interest;
- vi. Omnibus approval of RPTs by ACC shall contain all relevant information including name of the related parties, nature and duration of RPTs, indicative base price or current contracted price and the formula for variation in the price, if any;
- vii. Where the need for RPT cannot be foreseen and prescribed details are not available, ACC may make omnibus approval for such transactions subject to their value not exceeding ₹ 1 crore per transaction;
- viii. Omnibus approval by ACC shall be valid for a period not exceeding one financial year and shall require fresh approval thereafter;
- ix. ACC shall review at least on a quarterly basis, the details of RP transactions entered into by the Company pursuant to each of the omnibus approvals given;
- x. Any member of the ACC who has a potential interest in any RP Transaction shall recuse himself and abstain from discussion and voting on the approval of the RP Transaction.

2. Specific Approval:

All Transactions of the Company with RPs which do not fall under the Omnibus approval granted by the ACC shall require specific prior approval of the ACC.

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While seeking specific approval for a transaction with a Related Party, all the information, shall be placed before the Audit Committee as specified under para IV(A)(i) of this Policy, in the format prescribed under Annexure A to this Policy.

The Audit Committee shall also review the status of long-term (more than one year) Related Party Transactions on an annual basis.

B. Board's Approval

Transactions with RPs within the scope of Section 188 of the Act, which are either not in the Ordinary Course of Business or are not at Arm's Length basis or both or transactions beyond the threshold limits specified in Section 188 of the Act or Material Related Party Transactions shall require prior approval of the Board of Directors followed by approval of shareholders.

Before granting its approval, the Board may consider factors such as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale which may be relevant for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deem appropriate under the circumstances.

Any member of the Board who has any interest in a RP Transaction shall recuse himself and abstain from discussion and voting on the approval of the RP Transaction in which he/she has an interest.

In determining whether approval can be accorded to a RP Transaction, the following information shall be provided to the Board of Directors:-

- a) the name of the related party and nature of relationship;
- b) the nature, duration of the contract and particulars of the contract or arrangement;
- c) the terms of the contract or arrangement including the value, if any;
- d) any advance paid or received for the contract or arrangement, if any;
- e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- g) any other information relevant or important for the Board to take a decision on the proposed transaction.

C. Shareholder's Approval

In terms of the Companies (Meetings of Board and its Powers) Rules, 2014, and Regulation 23(4) of SEBI (LODR) Regulations 2015, as amended, transaction(s)

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referred under Para IV(ii) of this Policy would require the approval of the Shareholders by way of an ordinary resolution, if the same exceeds the thresholds prescribed under the Act or LODR Regulations.

All material RP transactions and subsequent material modifications as defined by ACC shall require prior approval of the shareholders through resolution and no RP shall vote to approve such resolutions whether the entity is a RP to the particular transaction or not.

V Governance Structure:

A. Test for Arm's length basis (Illustrative)

- i. The price / premium for policies offered to RPs is same as if the concerned arrangement is offered to unrelated party having similar risk profile / capability / rating or similar category / profile.
- ii. Price offered is as per the rates / pricing criteria filed with the Insurance Regulatory and Development Authority of India (IRDAI), or as per the Underwriting Policy / guidelines of the Company.
- iii. Claims are paid in accordance with the terms and conditions of the insurance policy, Independent Surveyor Report (where applicable), etc.
- iv. Commission/ Brokerages are paid within the limits prescribed by IRDAI.
- v. Payments to Promoter / Promoter Group Companies - Payment/ reimbursement towards rent and utilities are paid at prevalent market rates for similar category of goods and services and for similar category/ profile of customers.
- vi. The subscription to the Securities issued by the Promoter / Promoter Group Companies (other than shares) or its Subsidiary Companies are at the market rate or issue price offered to unrelated parties.
- vii. Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
 - market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 - third party comparables, valuation reports, price publications etc.
 - management assessment of pricing terms and business justification for the proposed transaction;
 - comparative analysis, if any, of other such transaction entered into by the Company.

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- viii. Deputation of employees amongst the companies being Related Parties and reimbursement of cost of deputed employees shall be with requisite mark-up in terms of transfer pricing criteria.
- ix. Notwithstanding the above, whether a particular transaction is on arm's length basis or not, is a decision to be taken by the Board of Directors and the Audit Committee of Directors of the Company. Once the Board of Directors on the recommendation of Audit Committee, determines that the relevant transaction has taken place on an arm's length basis, so long as they have reasonable basis for the same their decision shall be final.

B. Ascertaining whether the Transaction is in the Ordinary course of Business:

In order to ascertain whether a transaction is in the ordinary course of business, following factors would be considered:

1. Whether the proposed transaction, contract or arrangement is germane to attainment of the main objects as set out in the Memorandum of Association or in pursuance to operational activities of the Company or such other activities as may be permitted, from time to time by the Insurance Regulatory and Development Authority of India, the regulator for Insurance Sector in India.
2. Transaction(s) undertaken in pursuance of any contract or arrangement are similar to those that are undertaken in the past or whether it is one-off transaction or does the Company intends to carry out similar transactions in the foreseeable future.
3. Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum.
4. Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction.
5. The above criteria are not exhaustive and the Company shall assess each transaction considering its specific nature and circumstances.

C. Company's transactions with related parties (Illustrative)

In its ordinary course of business, the Company enters into following types / nature of transactions with related parties.

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Sr. No.	Category of the Related Party	Type / Nature of transaction	Pricing/Criteria
1	All Related Parties	Sale of various insurance policies of the Company and receipt of premium and payment of claim, if any, arising therefrom	Premium received/paid is as per the rates / pricing criteria filed with the IRDAI or as per the Underwriting Policy / Guidelines. Claims will be settled in accordance with the terms and conditions of the respective policies and based on Survey report, where applicable.
2	All Related Parties	Investments in NCDs of the Promoter or Promoter Group Company or Investment in NCDs of the Company by Promoter or Promoter Group	Coupon as applicable to other investors / Prevailing Market Price
3	All Related Parties (acting as a Corporate Agent)	Payment of commission on insurance business sourced for the Company as a Corporate Agent.	Not to exceed the percentages prescribed by IRDAI.
4	HDFC Bank Limited	Payment/ receipt of rent, brokerage and taxes on properties taken / let out on lease basis from / to or through Related Parties and reimbursement towards electricity and maintenance expenses.	Based on negotiations / Actual cost, independent report where necessary.
5		Current accounts maintained with HDFC Bank Limited for availing various banking services viz. collection of premium, payment of claims and expenses, investment related transactions, forex transactions and avails various other banking services/enters into transactions like placing of FD for availing	Based on negotiations vis-à-vis volume of transactions and rates charged as per market standards.

Sr. No.	Category of the Related Party	Type / Nature of transaction	Pricing/Criteria
		Bank Guarantees, working capital, in the ordinary course of business.	
6		Purchase and sale of government securities and other securities.	This is a banking product offered to all customers by HDFC Bank Limited (related/unrelated) in accordance with its pricing policy.
7	ERGO Group AG/ ERGO International AG	Any technical support and guidance	As ascertained by arms' length principle or on cost plus principle
8	Munich Re	Participates both under treaty and facultative arrangements. Payment of Premium on reinsurance ceded. Receipt of commission on reinsurance ceded.	Munich Re (operating through its branch in India), one of the leading reinsurer, provides reinsurance capacity and support to the Company. In the treaties, Munich Re is either a leader or a follower. The commission is based on negotiation and level of re-insurance support and performance of treaties
9	Whole-time Directors – including Managing Director & CEO, Deputy Managing Directors (DMD), Executive Director and Chief Financial Officer (CFO) and Company Secretary (CS)	Payment of remuneration	The amount of remuneration shall be as recommended by NRC and approved by the Board and shareholders/IRDAI, as applicable. The provisions of Remuneration Policy for the Directors, Key Managerial personnel and Senior Management and other employees and IRDAI Guidelines on Remuneration of Non-Executive Directors, Managing Director/Chief Executive Officer/Whole-Time Directors of Insurers shall be adhered to, as applicable.
10	All Directors except the Whole-time Directors	Payment of sitting fees and commission	The amount of sitting fees and commission is within the limits specified under the Act



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Sr. No.	Category of the Related Party	Type / Nature of transaction	Pricing/Criteria
			and IRDAI Guidelines on Remuneration of Non-Executive Directors, Managing Director/Chief Executive Officer/Whole-Time Directors of Insurer, subject to recommendation of Nomination and Remuneration Committee and approval of Board of Directors and shareholders, as applicable.

D. Process for identification of Related Parties

- i. The Company shall identify and keep on record its related parties as per Applicable Law.
- ii. The Company shall obtain, on a quarterly basis, list of related parties from its Promoters, Directors and KMP.
- iii. The Company shall update the list of its related parties whenever necessary, which shall be reviewed at least once a quarter.

E. Responsibilities of Functions:

i. General

All functions shall peruse the list of Related Parties (as shared by the Secretarial Department) (RP) so as to ensure that they exercise diligence whilst entering into any transaction with a RP.

It is the responsibility of the concerned Function to ensure that transactions proposed to be entered into (viz. issue of insurance policy / settlement of claim / availing of other services) with a Related Party are in the ordinary course of business and at arm's length basis.

The President of the concerned function shall recommend proposed transactions with Related Parties which require omnibus or specific approval of the Audit Committee.



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On a quarterly basis details of all related party transactions shall be placed before the Audit Committee of Directors duly certified by the Chief Financial Officer with respect to compliance with arms' length pricing.

ii. Underwriting

In case of sale of insurance policy to a RP, the Underwriting function shall ensure that the premium charged is in accordance with the Underwriting Policy / Guidelines of the Company and risk based approach is strictly adhered to.

iii. Claims

In case of claims arising out of insurance policies issued to RPs, the Claims function shall ensure that the same are settled in accordance with the terms and conditions of the respective insurance policy after requisite due diligence.

iv. Operations and Services Group (OSG), IT and other Functions

Whilst availing various services from RP, the OSG / IT and other Functions shall ensure that the terms and conditions of service availed and price payable thereon are reasonable and at arm's length and shall document the same. Procurement process should be followed including obtaining quotes from unrelated parties providing similar services, so as to ensure fairness and reasonableness in the price charged by the RP. In exceptional cases due weightage may be given to RP's specialization and expertise in the concerned field and transparency and the same shall be documented and duly approved by the President of the concerned function and the Whole-time Director who oversees the function.

The above would also be applicable whilst providing any service to a RP.

v. Investment

In accordance with the provisions of Section 19 of the Act, no investment shall be made in the shares of the holding company.

In case of purchase of securities of Promoter (other than shares) or Promoter group companies, the Investment function shall ensure that the pricing of the securities are at arm's length.

In order to determine that investments in securities of Promoter or Promoter group companies are at arm's length basis, Investment Team shall ensure that securities purchased are from secondary market and in case of purchases from the primary market, the issue price is the same as offered to similar category of investors in Initial Public Offering, Private Placement, Right Issue or Follow-on Public offer.

vi. Finance

While processing payments to RP, the Finance function shall ensure that the same are properly authorised by the concerned Functional Head / Authorised Person of the relevant Department and bears a confirmation to the effect that the payments to RP are at arm's length basis.

vii. Legal

While drafting, reviewing and vetting of agreements and contracts proposed to be entered into with the Related Parties or modification thereto, the Corporate Legal function shall ensure that commercial terms, if any, contained therein fulfils the arm's length test prescribed hereinabove and are in the ordinary course of business.

viii. Secretarial

The Secretarial department shall promptly update the list of Related Parties based on the disclosure received from Promoters, Directors, KMPs and share the same with Finance, Corporate Legal and other relevant functions for identifying the transactions with RPs, immediately and on a quarterly basis.

VI. Disclosures:

- a. In terms of Rule 8(2) of the Companies (Accounts) Rules, 2014, details of material contracts or arrangement or transactions undertaken pursuant to Section 188(1) of the Act at arm's length basis shall be disclosed in Form AOC 2 and the same duly signed by the person signing the Board's Report shall be attached to the said Report.
- b. Transactions deemed to be 'Related Party Transactions' (RPT) as per the Accounting Standard on Related Party Disclosures (AS 18), as notified by the Companies (Accounting Standards) Rules, 2006 shall be required to be disclosed in the annual report.
- d. In terms of Para 3A(1) of the CG Guidelines, the disclosures about payments made to group entities of the insurer out of the policyholders funds, shall be made as a part of the related party disclosures in terms of para 9 of the CG Guidelines; and all such transactions may be grouped together under the related party transactions.
- e. As mandated under the LODR Regulations, the Company shall disclose this Policy on its website i.e. www.hdfcergo.com and make relevant disclosures about transactions with Related Parties in the Annual Report and maintain such registers as required under the provisions of the Companies Act, 2013, Rules made thereunder and LODR Regulations.



HDFC ERGO General Insurance

- f. Details of Related Party Transactions shall be disclosed to the Stock Exchange along with half yearly and yearly financial results in the specified format.

VII Policy Review:

This Policy was recommended by ACC and approved by the Board of Directors of the Company.

The Policy shall be reviewed on an annual basis by the ACC or whenever any changes are to be incorporated in the Policy due to any amendment in the Act/Rules or as may be felt appropriate by the ACC. Revisions to the Policy shall be approved by the Board of Directors.

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Annexure A - Information for review of the Audit Committee for approval of a proposed related party transaction:

Sr. No	Particulars	Details of Proposed Transaction
1	Name of the Related Party, relationship with the Company, including nature of its concern or interest (financial or otherwise)	
2	Type/ Material terms/ Particulars of proposed transaction	
3	Tenure of the proposed transaction	
4	Value of the proposed Transaction	
5	Value of RPTs as a percentage of Company's annual turnover, for the immediately preceding year	
6	Pricing including manner of determining of pricing/ indicative base price	
7	Justification as to why RPT is in the interest of the Company	
8	Copy of Valuation or other external party report	
9	Value of RPTs as a percentage of counter party's annual turnover	