

# LIFE INSURANCE

Aditya Birla Sun Life Insurance Company Limited



**ADITYA BIRLA  
CAPITAL**

PROTECTING INVESTING FINANCING ADVISING

## Aditya Birla Sun Life Insurance Company Limited

### Related Party Transactions Policy

<b>Version</b>	<b>Month</b>	<b>Approved by</b>
Version 1	March 2015	Board of Directors on March 31, 2015
Version 1.1	July 2016	Board of Directors on July 29, 2016
Version 1.2	April 2018	Board of Directors on April 27, 2018
Version 1.3	April 2019	Board of Directors on April 26, 2019
Version 1.4	May 2020	Board of Directors on May 15, 2020
Version 1.5	April 2021	Board of Directors on April 27, 2021
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Version 3.0	April 2023	Board of Directors on April 25, 2023
Version 4.0	July 2023	Board of Directors on July 25, 2023

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## Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions

### Introduction & Purpose

The Board of Directors of Aditya Birla Sun Life Insurance Company Limited (“the Company”), on recommendation of the Audit Committee, has adopted this policy by its resolution dated March 31, 2015 to:

- a) regulate transactions of the Company with its related parties (as defined and identified under the Companies Act, 2013 and Rules made thereunder (the “Act”) and the SEBI (Listing Obligations and Disclosure Requirements), 2015 (“Listing Regulations”);
- b) ensure high standards of Corporate Governance while dealing with related parties; and
- c) ensure optimum compliance with various applicable laws prescribed for related party transactions.

### Definitions

- a) **Act:** Act means the Companies Act, 2013 and Rules made thereunder, as amended from time to time.
- b) **Accounting Standard:** Accounting Standard means the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India in consultation with and after examination of the recommendations made by the National Finance Reporting Authority.
- c) **Listing Regulations:** Listing Regulations means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- d) **Related Party:** Related Party shall have the same meaning as defined under the Act, applicable Accounting Standards and the Listing Regulations, as amended from time to time.
- e) **Related Party Transaction (“RPT”):** Related Party Transaction means transactions with related parties as defined under the Act; Listing Regulations; applicable accounting standards, as amended from time to time.

All terms used in this policy but not defined herein shall have the meaning assigned to such terms in the Act; the Listing Regulations and Accounting Standards, as amended from time to time.

### Terms and References

- a) **Arm’s Length Basis:** Terms will be treated as at ‘Arm’s Length Basis’ if the commercial and key terms are comparable and are not materially different than similar transactions with non-related parties considering all the aspects of the transactions such as quality, realizations, other terms of the contract, etc.  
In case of contracts with related parties for specified period / quantity / services, it is possible that the terms of one-off comparable transaction with an unrelated party are at variance, during the validity of contract with related party. In case the Company is not doing similar transactions with any other non-related party, terms for similar transactions between other non-related parties of similar standing can be considered to establish ‘arm’s length basis’. Other methods prescribed for this purpose under any law can also be considered for establishing this principle.

**b) Ordinary Course of Business:** Transactions with related parties will be considered to be in ordinary course if they are entered in pursuance of the business objective of the Company and necessary for Company's operations or related financial activities, including the fixed assets transactions and pursuant to the objects of the Company.

**c) Materiality:** The materiality of any RPT will be ascertained as per the thresholds prescribed under the Act or the Listing Regulations, whichever is lower:

**(i) Materiality threshold under the Act**

A transaction with a related party shall be considered material if it exceeds threshold as prescribed under section 188 of the Act read with Rules made thereunder or any subsequent amendment thereto.

**(ii) Materiality threshold under Listing Regulations**

A transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds the following thresholds:

- In case of transactions involving payments made to a related party with respect to brand usage or royalty, if it exceeds 5% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- In case of any other transaction(s), if the amount exceeds Rs.1,000 (one thousand) crore or 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

**d) Material Modification:** A modification to a RPT shall be considered material, if the:

- value of the modification individually or taken together with modifications during a financial year, exceeds 10% of the original transaction as approved by the Audit Committee and / or the shareholders, whichever is lower.

- material terms of the contract resulting in novation of the contract, change in tenure of the contract, deferment of security / guarantee shall also be treated as a material modification of the transaction.

**Policy**

- a) The RPTs should be in conformity with the Act, Listing Regulations and applicable Accounting Standards, as amended from time to time.
- b) All RPTs shall be entered at arms' length basis and in the ordinary course of business.

**Audit Committee approval**

- c) The Audit Committee may grant omnibus approval for RPTs which are repetitive in nature, provided that such approval shall remain valid for period not exceeding one year. Further, where the need for RPTs cannot be foreseen and requisite details are not available, the Audit Committee may grant omnibus approval for such transactions provided that the value of each such transaction shall not exceed Rs.1 crore.
- d) All RPTs and subsequent material modifications shall require approval of the Audit Committee of the Company.
- e) As and when Regulation 23 of the Listing Regulations becomes applicable to the Company, only those members of the Audit Committee, who are Independent Directors, shall approve the Related Party Transaction(s).
- f) A RPT to which the subsidiary of the Company is a party but the Company is not a party, will require approval of the Audit Committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover, as per the last audited financial statements of the Company.
- g) Approval of the Audit Committee of the Company will not be required for a RPT to which the listed subsidiary is a party but the Company is not a party, if Regulation 23 of the Listing Regulations are applicable to such listed subsidiary.
- h) For RPT of unlisted subsidiaries of a listed subsidiary, approval of the Audit Committee of the listed subsidiary shall suffice.
- i) Subject to the applicable laws, the Audit Committee shall have the power to ratify, revise or terminate the RPTs, which are not in accordance with this Policy.

### **Board approval**

- j) Any RPT which is not in the ordinary course of business of the Company or not at arm's length basis, shall be effected only with prior approval of the Board of Directors of the Company, on recommendation of the Audit Committee.

### **Shareholders' approval**

- k) All RPTs specified in the Act which are not in the ordinary course of business of the Company or not at arms' length basis and exceed the thresholds laid down in the Act shall be placed before the shareholders for their approval.
- l) All material RPTs and subsequent material modifications thereto shall require approval of the shareholders through resolution.
- m) Approval of the shareholders of the Company will not be required for a RPT to which the listed subsidiary is a party but the Company is not a party, Regulation 23 of the Listing Regulations are applicable to such listed subsidiary.
- n) For RPTs of unlisted subsidiaries of the listed subsidiary, approval of the shareholders of the listed subsidiary shall suffice.

### **Exclusions**

- o) Any transaction that is specifically excluded from applicability of the related party provisions under the Act and / or the Listing Regulations shall not require a separate approval under this policy.

### **Transfer Pricing**

- p) All domestic RPTs shall, wherever applicable, comply with Domestic Transfer Pricing Requirement under 92BA of Income Tax Act, 1961 including certification from Independent accountants under the Transfer Pricing Regulations.
- q) All international RPTs shall comply with the International Transfer Pricing Requirement under Section 92B of Income Tax Act, 1961 including certification from Independent accountants under the Transfer Pricing Regulations.

### **Administrative Measures**

The Company's management shall institute appropriate administrative measures to ensure that all RPTs entered into by the Company are in compliance with applicable laws and this Policy. All persons dealing with the related party(ies) shall, irrespective of their level, be responsible for compliance with this Policy. The detailed processes relating to implementation of this Policy, as may be approved by the Audit Committee from time to time, shall be followed by all concerned.

The Internal Auditors of the Company shall review the RPTs entered into by the Company on a periodic basis and report their observations to the Audit Committee.

The Company Secretary shall be responsible to maintain/update the list of related parties (as required by applicable laws) and provide the same to all concerned.

It is the duty of all employees of the Company to ensure that they do not deal with related parties under any kind of influence or coercion.

The cases involving any unwarranted pressure should be promptly reported as per mechanism provided under the Whistle Blower Policy of the Company.

### **Interpretation**

In any circumstance where the provisions of this Policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the relevant law, rule, regulation or standard will take precedence over this Policy until such time as this Policy is changed to conform to the said law, rule, regulation or standard. In case of any clarification required with respect to this Policy, kindly contact the Company Secretary of the Company.

### **Disclosure**

The Policy shall be made available on the website of the Company <https://lifeinsurance.adityabirlacapital.com/> and a web link thereto shall be provided in the Company's Annual Report.

### **Review**

This Policy shall be reviewed by the Board of Directors annually and updated accordingly.

## **Corporate Governance Guidelines ('CG Guidelines')**

In accordance with the Corporate Governance Guidelines ('CG Guidelines') issued by IRDAI dated May 18, 2016, the Related Party Transactions Policy of the Company shall inter alia include the definition of transactions in the Ordinary course of Insurance Business, method of determination of Arm's length pricing and list of items requiring approvals from various authorities.

### **A. Approval Protocol**

1. Approval is obtained from the board for all related party transactions undertaken with related parties as identified basis regulatory requirements.

### **B. Method of Determining Arm's Length Price**

#### **1. Comparable Uncontrolled Price Method (CUP)**

CUP is applied when price is charged for a product or service. This is a comparison of prices charged for the property transferred or service provided in a controlled transaction to a price charged for property or services transferred in a comparable uncontrolled transaction.

- i. Determine the price charged or paid for the property transferred or services provided in a comparable uncontrolled transaction.
- ii. Such price is adjusted to account for differences, if any, between the International transaction and comparable uncontrolled controlled transactions or between the parties entering into such transactions, which could materially affect the price in the open market.
- iii. The adjusted price arrived at under (ii) is taken to be Arm's Length Price in respect of the property transferred or services provided in international transaction.

#### **2. Arm's length Price for Insurance Premium / Commission**

- i. For Insurance cover given by the Insurance Company to Group Companies, premium quoted by Companies under F&U guidelines should be considered as arm's length. Commission on insurance policy is paid as per the board approved policy.

#### **3. Arm's Length for Reimbursement / Recovery of Expenses**

- i. In case of reimbursement / recovery, amount is based on actuals divided between entities basis pre-approved ratio or ratio derived basis agreed drivers.

#### **4. Arm's Length for Brokerage Expenses**

- i. Brokerage expenses paid are in line with brokerage paid to other non-related brokers.

**C. Category of Transactions in Ordinary Course of Business#**

<b>Nature of Transactions</b>	<b>Detail of Transactions</b>
Reimbursement of Expenses / Recovery of Expenses	This includes all transactions pertaining to reimbursement of cost incurred in relation to Space Sharing, Security Deposits, Employee Benefits, Asset transfers, Shared Services and Other Allocated Costs.
Insurance Policies*	Transactions pertaining to Insurance cover provided to Employees / Borrowers of Group Entities
Purchase and Sale of Investments**	Includes subscription to / dealing in securities issued by Group Entities
Interest / Income on Investments	Interest Income / Gain on Investments
Business Support Services / Software Development Expenses	Expenses incurred for support services e.g., software development, manpower support for testing/executing projects, business promotion etc.
Borrowings and Interest thereon	Subordinated Debt along with Interest
Secondment Expenses	Reimbursement of Remuneration Paid as part of Secondment
Commission Expenses	Commission on Insurance Policies
Brokerage Expenses	Brokerage on Investment Dealings
Managerial Remuneration	Remuneration paid to KMPs
Director Sitting Fees	Fees paid to Directors.
Advances / Prepaid Expenses	Advances made for expenses
CSR Contribution	Contribution to CSR Fund as per the regulatory requirement
Professional Fees / Service Fees	Consideration paid for services obtained
Employee Stock Option Expenses***	ESOP for Employees
Reinsurance Premium	Premium paid against Catastrophe Reinsurance Cover
Policy Claims	Insurance Policy Benefits paid to Group entities

**# Above list is illustrative and not exhaustive**

**\* Reported basis actual premium applied / income booked against the policies for the period**

**\*\* Reported basis value determined by underlying investment classification criteria**

**\*\*\*Reported basis debit notes received from holding company for stock options allocated on underlying equity shares of holding company**

**All other items are reported based on the actual amount paid or accrued.**

**Justification for Cost of transaction**

All the above transactions need to follow Arm's length pricing as defined under Clause B.

**Related Parties**

The list of Related parties for the above Policy shall be defined under the Companies Act 2013. The list shall be circulated by the Secretarial function at the end of each quarter.