

IndusInd Nippon Life Insurance
Company Limited
(formerly Reliance Nippon Life Insurance
Company Limited)
Policy and Internal Processes
in regard to
Related Party Transactions

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1 RELATED PARTY POLICY

1. Introduction

This Policy is framed by the Company which came into effect from 1 April, 2014. This Policy applies to transaction entered into with a Related Party on or after 1 April, 2014, or any modifications effected on or after 1 April, 2014 to subsisting transactions with Related Parties.

2. Definitions

- (a) **“Act”** means Companies Act, 2013 including any statutory modification or re-enactment thereof;
- (b) **“Board”** means Board of Directors of the Company.
- (c) **“Related Party”** with reference to the company, means an entity where such entity is a related party as defined under section 2(76) of the Companies Act, 2013; or
- (d) **“Related Party Transaction”** means a transaction between the company and a Related Party which transaction is of the nature specified in sub-clause (a) to (g) of section 188(1) of the Companies Act, 2013.
- (e) **“Ordinary Course of Business”** means Activities carried by the Company as mentioned under the main object and other incidental or ancillary activities to its main object.as mentioned under the Memorandum of Association of the Company.
- (f) **“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.

3. Transactions between Company & Related Parties & Materiality Threshold

Transactions between the Company and Related Parties shall be entered into in the manner that is compliant with the applicable provisions of the Companies Act, 2013 and rules made there under.

4. Internal Processes in regard to Related Party Transactions

The Company shall, shall have a mechanism for the purpose of identification of Related Parties and any transactions with them, determination of whether the transaction(s) is in ordinary course of business, whether the transaction(s) is on an arm’s length basis, monitoring “materiality” threshold, and other relevant matters to ensure adherence to this policy in entering into transactions with Related Parties.

4.1 Transactions in the Ordinary course of Insurance Business and its examples:

In order to decide whether or not a contract or arrangement is being entered by the Company in its ordinary course of business, inter-alia following factors shall be considered:

- Whether such contract/arrangement/transactions is germane and in accordance with the attainment of main objects as set out in the Memorandum of Association of the Company or such other activities as may be permitted, from time to time by the Insurance Regulatory and Development Authority (IRDAI) or required to be undertaken under any Law for the time being in force.
- Whether the Contracts or Arrangements contemplated under the proposed transaction are similar to those which have been undertaken in the past or in case such transaction is being undertaken for the first time, whether the Company intends to carry out similar transaction in the future. Normally, following are few examples of the transactions which are understood to be in the ordinary course of business of an insurance company:
 - (a) Contract of Insurance i.e, Acceptance of a proposal for providing insurance of any kind and payment of claims etc.
 - (b) Reinsurance contracts, whether under treaty route or on facultative basis
 - (c) Hiring of premises on lease for the purpose of its offices across the country
 - (d) Availing services related to Policy Servicing and related activities
 - (e) Availing services through Outsourcing its activities to third party service providers
 - (f) Appointment of Project Implementation agencies for implementation of Company's CSR projects
 - (g) Contract of advertisement, publicity of the products and services of the Company or the Brand building, Business Promotion, Insurance Awareness, Consumer Education etc.
 - (h) Payment of commission, remuneration to Intermediaries

The above list is illustrative and not exhaustive, and the Company will have to assess each transaction considering its specific nature and circumstances.

4.2 Method of determination of Arm's Length Pricing:

In order to determine the optimum arm's length price, the Company may apply the most appropriate method from any of the following methods as prescribed in section 92C(1) of the Income Tax, 1961 read with Rule 10B of the Income Tax Rule, 1962 –

- (a) Comparable Uncontrolled Price Method (CUP Method)
- (b) Resale Price Method
- (c) Cost Plus Method
- (d) Profit Split Method
- (e) Transaction Net Margin Method
- (f) Other methods as may be prescribed by Central Board of Direct Taxes (CBDT)

5. Amendment

The Board reserves its right to amend or modify this Policy in whole or in part, at any time without assigning any reason whatsoever, in addition, shall be reviewed annually. However, no such amendment or modification shall be inconsistent with the applicable provisions of the Act or any law for the time being in force.

2 TERMS OF REFERENCE OF AUDIT COMMITTEE FOR RELATED PARTY TRANSACTION

The Company had taken opinion from M/s Amarchand Mangaldas on various issues pertaining to Related Party Transactions in terms of the provisions of the Companies Act, 2013 and Rules made thereunder. Copy of the opinion is placed before the Board for perusal.

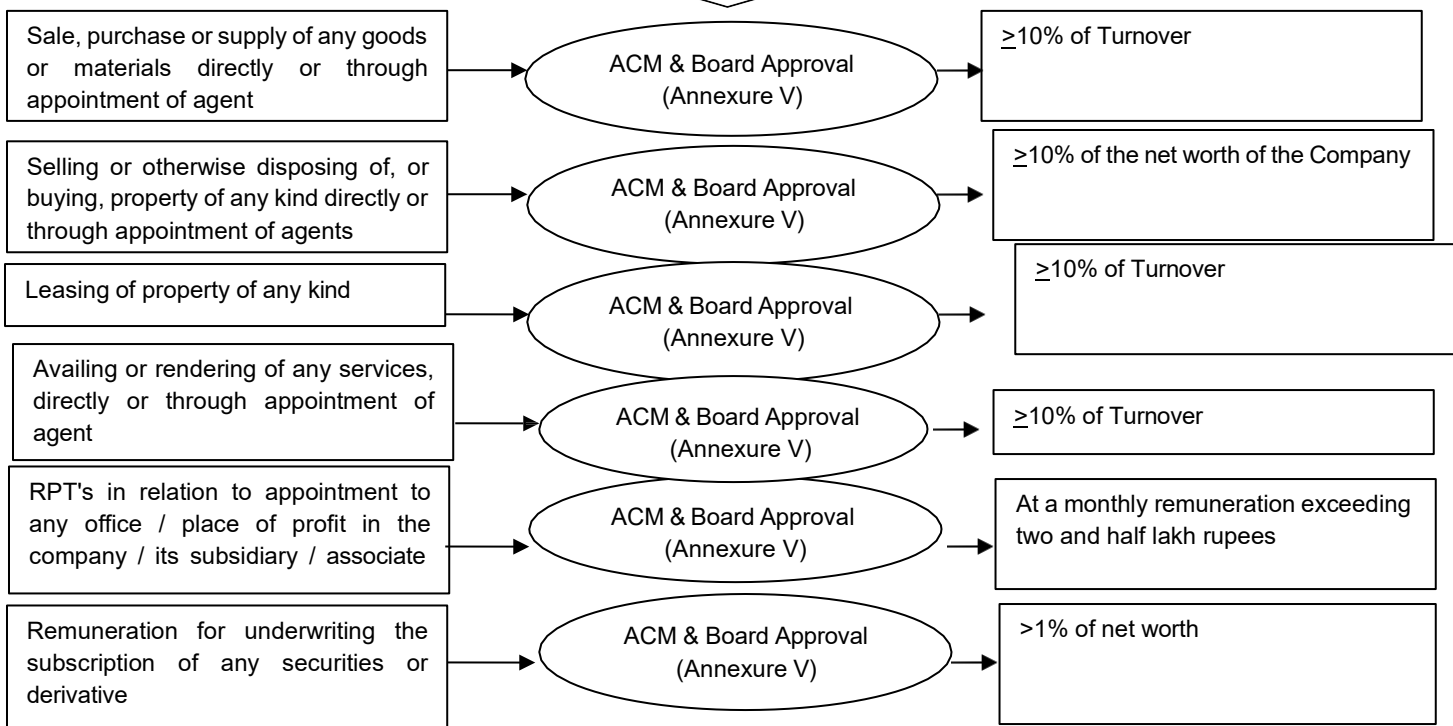
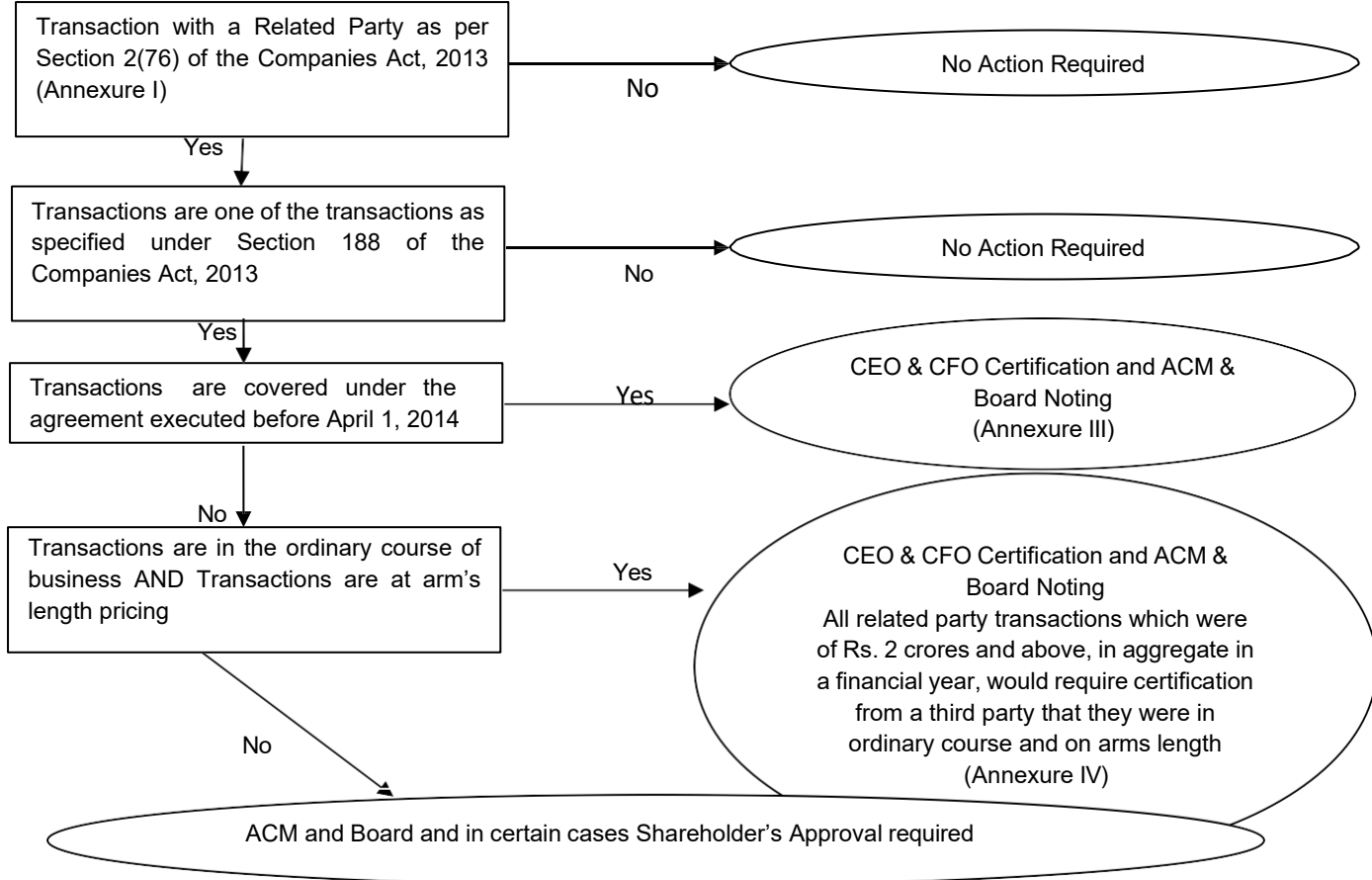
Based on the said opinion, following shall be the "Terms of Reference" of the Audit Committee with respect to the Related Party Transactions:

- a. Take note of statement in summary form of transactions with related parties in the ordinary course of business and on arm's length basis.

- b. Review details of material individual transactions with related parties:
 - I. which are not in the ordinary course of business and
 - II. details of material transaction with related parties, which are not on an arm's length basis,

together with Management's justification for the same and provide its' comments / views thereon to the Board of Directors.

3 PROCESS FLOW CHART



Note : The turnover or net worth referred in the above sub-rules shall be computed on the basis of the audited financial statement of the preceding financial year

Refer Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014

Annexure I

4 RELATED PARTY

A Related Party shall be as defined under Section 2(76) of The Companies Act, 2013

Annexure II

A related party under Section 2(76) of the Companies Act, 2013 means

- 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 is a member or director;
- v. a public company in which a director or manager is a director or 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;
 - (b) a subsidiary of a holding company to which it is also a subsidiary; or

(c) an investing company or the venturer of the company;

Explanation.—For the purpose of this clause, “the investing company or the venturer 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.

ix. Such other persons as may be prescribed – Director (other than an independent director) or Key Managerial Personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.

“Relatives”: “Relative”, 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 such manner as may be prescribed, which is as follows:
 - (a) Father (including step-father)
 - (b) Mother (including step-mother)
 - (c) Son (including step-son)
 - (d) Son’s wife
 - (e) Daughter
 - (f) Daughter’s husband
 - (g) Brother (including step-brother)
 - (h) Sister (including step-sister)

5 RELATED PARTY TRANSACTIONS COVERED UNDER SECTION 188

Section 188 of the 2013 Act is applicable to specified related party transactions. For ease of reference, Section 188(1) is set out below:

- (1) Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no company shall enter into any contract or arrangement with a related party with respect to —
- (a) sale, purchase or supply of any goods or materials;
 - (b) selling or otherwise disposing of, or buying, property of any kind;
 - (c) leasing of property of any kind;
 - (d) availing or rendering of any services;
 - (e) appointment of any agent for purchase or sale of goods, materials, services or property;
 - (f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
 - (g) underwriting the subscription of any securities or derivatives thereof, of the company:

Provided that no contract or arrangement, in the case of a company having a paid-up share capital of not less than such amount, or transactions not exceeding such sums, as may be prescribed, shall be entered into except with the prior approval of the company by a resolution:

Provided further that no member of the company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party:

Provided also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis."

Contract or arrangement with a related party

A company shall enter into any contract or arrangement with a related party subject to the following conditions, namely:-

- 1) The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose-
 - (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 material 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.
- 2) Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement-
- 3) For the purposes of first proviso to sub-section (1) of section 188, except with the prior approval of the company by a resolution, a company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into,—
 - (a) as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188, with criteria as mentioned below -
 - (i) sale, purchase or supply of any goods or materials, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
 - (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;

(iii) leasing of property of any kind amounting to ten percent or more of the net worth of the company or ten percent or more of turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (c) of sub-section (1) of section 188;

(iv) availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company or rupees fifty crore, whichever is lower, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188:

Explanation.—It is hereby clarified that the limits specified in sub-clauses (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

(b) is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of subsection (1) of section 188; or

(c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one per cent. of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation.- (1) The Turnover or Net Worth referred in the above sub-rules shall be computed on the basis of the Audited Financial Statement of the preceding Financial year.

(2) In case of a wholly owned subsidiary, the resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between the wholly owned subsidiary and the holding company.

(3) The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars, namely:—

(a) name of the related party ;

(b) name of the director or key managerial personnel who is related, if any;

(c) nature of relationship;

(d) nature, material terms, monetary value and particulars of the contract or arrangement;

(e) any other information relevant or important for the members to take a decision on the proposed resolution.”

Annexure III

6 OMNIBUS APPROVAL FOR THE RELATED PARTY TRANSACTIONS

(i) All transactions to be entered with Related Parties shall be entered into only after prior approval of Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances set out below.

(ii) The Audit Committee shall, after obtaining approval of the Board, specify the criteria for granting the omnibus approval in line with the Policy and such approval shall include the following namely: (a) Maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year; (b) The maximum value per transaction which can be allowed; (c) Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval; (d) Review, at such intervals as the Audit Committee may deem fit, of Related Party Transaction entered into by the Company pursuant to each omnibus approval made; and (e) Transactions which cannot be subject to the omnibus approval by the Audit Committee.

(iii) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:- (a) repetitiveness of the transactions (in past or in future); and (b) justification for the need of omnibus approval. Provided that where the need for Related Party Transactions cannot be foreseen and details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees one crore per transaction. The omnibus approval shall be valid for the period not exceeding one financial year and shall require fresh approval after the expiry of such financial year. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

(iv) The omnibus approval shall provide details of (a) the name/s of the Related Party, nature of transaction, period of transaction, maximum aggregated value of the particular type of transaction that can be entered into; (b) basis of arriving at the indicative base price / current contracted price and the formula for variation in the price if any; and (c) such other conditions as the Audit Committee may deem fit.

(v) The Audit Committee shall review, at least on a quarterly basis, the aggregated value and other details of Related Party Transactions transacted into by the Company pursuant to the omnibus approval given.

7 RELATED PARTY TRANSACTIONS AS PER PROVISIONS ACCOUNTING STANDARD 18

a. Audit Committee Noting

Related Party Transactions as per provisions Accounting Standard 18

A statement of related party transaction as per provisions of Accounting Standard 18 was placed before the Committee.

The Committee noted the same.

7 TRANSACTION COVERED UNDER THE AGREEMENT EXECUTED BEFORE APRIL 1, 2014

a. CEO & CFO certification

Audit Committee / Board of Directors

_____ **Limited**

Registered office Address

Dear Sir,

This is to confirm that the transactions entered into during the financial year 2014-15 up to Quarter ending _____ by the Company with the following related parties were pursuant to the below mentioned pre-existing contracts/agreements entered into on or before March 31, 2014. Being transactions pursuant to pre-existing contracts/agreements entered into on or before March 31, 2014, they are outside the purview of section 188 of the Companies Act, 2013.

We further confirm that after undertaking due diligence and inquiry we are satisfied that the transactions pursuant to the said contracts / agreements were in the ordinary Course of the Company's Business and are on an Arm's Length basis and therefore outside the purview of section 188 of the Companies Act, 2013.

Sr. No	Name of Related Party	Details of Contract

Thanking you.

Yours faithfully,

For _____ **Limited**

For _____ **Limited**

Chief Executive Officer

Chief Financial Officer

b. ACM Noting

Noting of transaction pursuant to Pre Existing Contracts

(a) Related Party Transactions as per provisions Accounting Standard 18

A statement of related party transaction as per provisions of Accounting Standard 18 was placed before the Committee.

The Committee noted the same.

Related Party Transactions as per provisions the Companies Act, 2013

A statement of transactions, as per provisions the Companies Act, 2013, which have taken place during the quarter ended _____, with related parties pursuant to the pre-existing contracts/agreements entered into on or before March 31, 2014 was placed before the Committee.

CEO and CFO also placed a certificate confirming that after undertaking due diligence and inquiry, they were both satisfied that being transactions pursuant to pre-existing contracts/agreements entered into on or before March 31, 2014, they are outside the purview of section 188 of the Companies Act, 2013.

CEO and CFO also placed a certificate confirming that undertaking due diligence and inquiry, we are satisfied that the transactions pursuant to the said contracts / agreements were in the ordinary Course of the Company's Business and are on an Arm's Length basis and therefore outside the purview of section 188 of the Companies Act, 2013.

The Committee noted the same.

c. Board Noting

Noting of transaction pursuant to Pre Existing Contracts

A statement of transactions, as per provisions the Companies Act, 2013, taken place during the quarter ended _____, with related parties pursuant to the pre-existing contracts/agreements entered into on or before March 31, 2014 was placed before the Board.

CEO and CFO also placed a certificate confirming that after undertaking due diligence and inquiry, they were both satisfied that being transactions pursuant to pre-existing contracts/agreements entered into on or before March 31, 2014, they are outside the purview of section 188 of the Companies Act, 2013.

CEO and CFO also placed a certificate confirming that undertaking due diligence and inquiry, we are satisfied that the transactions pursuant to the said contracts / agreements were in the ordinary Course of the Company's Business and are on an Arm's Length basis and therefore outside the purview of section 188 of the Companies Act, 2013.

The Board noted the same.

Annexure IV

8 TRANSACTION IN THE ORDINARY COURSE OF BUSINESS AND AT THE ARMS LENGTH PRICING

a. CEO & CFO certification

Audit Committee / Board of Directors

_____ **Limited**

Registered office Address

Dear Sir,

This is to confirm that the transactions entered into during the financial year 2014-15 up to Quarter ending _____ by the Company with the following related parties were pursuant to the contracts/agreement entered after April 1, 2014.

We confirm that after undertaking due diligence and inquiry we are satisfied that the transactions pursuant to the said contracts / agreements were in the ordinary Course of the Company's Business and are on an Arm's Length basis and therefore outside the purview of section 188 of the Companies Act, 2013.

Also, for the transaction(s) which are of the value of Rs. 2 Crore / more, a Third Party Certification from M/s _____ confirming that the transactions were in the ordinary Course of Business and are at Arm's Length, is enclosed for the consideration of the Committee / Board.

Sr. No	Name of Related Party	Details of Contract

Thanking you.

Yours faithfully,

For _____ **Limited**

For _____ **Limited**

Chief Executive Officer

Chief Financial Officer

b. ACM Noting

Noting for ordinary course of Business and Arms' Length transactions

The Committee was briefed about the transactions which have taken place in the Ordinary Course of Business and are on Arms' Length basis during the quarter ended _____, with related parties in terms of requirements under the accounting standards and the Companies Act, 2013.

The statement of the transactions which satisfy the above stated requirements which have been entered into during the quarter ended _____ was also placed before the Committee.

It was specifically confirmed by the CEO and CFO that after undertaking due diligence and inquiry, they were both satisfied that all the transactions were entered into by the Company were in its ordinary course of Business and were on an Arms Length basis and therefore outside the purview of the provisions of Section 188 of the Companies Act, 2013.

Also, for the transaction(s) which are of the value of Rs. 2 Crore / more, a Third Party Certification from M/s _____ confirming that the transactions were in the ordinary Course of Business and are at Arm's Length, is enclosed for the consideration of the Committee.

The Committee noted the same.

c. Board Noting

Noting for ordinary course of Business and Arms' Length transactions

The Board was briefed about Ordinary Course of Business and Arms' Length transactions, taken place during the quarter ended _____, with related parties in terms of requirements under the accounting standards and the Companies Act, 2013.

The statement of Ordinary Course of Business and Arms' Length related party transactions for the quarter ended was also placed before the Board.

It was specifically confirmed by the CEO and CFO that after undertaking due diligence and inquiry, they were both satisfied that all the transactions were entered into by the Company in its ordinary course of Business and are on an Arms Length basis and were therefore outside the purview of the provisions of Section 188 of the Companies Act, 2013.

Also, for the transaction(s) which are of the value of Rs. 2 Crore / more, a Third Party Certification from M/s _____ confirming that the transactions were in the ordinary Course of Business and are at Arm's Length, is enclosed for the consideration of the Board.

The Board noted the same.

(Annexure V)

9 TRANSACTION NOT IN THE ORDINARY COURSE OF BUSINESS AND/OR TRANSACTION ARE NOT AT THE ARMS LENGTH PRICING

a. ACM Approval

Approval for Transactions by Audit Committee

RESOLVED THAT based on and having regard to the information and justification provided by the management with regard to the transactions referred to herein and pursuant to provisions of Section 188 and 177 and other applicable provisions ,if any ,of the Companies Act,2013,read with Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014 and subject to and conditional upon approval of the Board of Directors, approval of audit Committee be and is hereby granted for the following transactions:

1.	Name of the related party	
2.	Nature of relationship	
3.	Nature of Contract	
4.	Duration of Contract	
5.	Particulars of Contract	
6.	Material terms of the contract or arrangement including the value, if any	
7.	Advance paid or received for the contract or arrangement, if any	

Note : The information and justification provided by the management with regard to the transaction should be set out in the minutes of this item before setting out the above resolution

b. Board Approval

Approval for Transactions by the Board of Directors with Related Parties

The Board noted that Audit Committee at its meeting held _____, had subject to and conditional upon approval of the Board of Directors, approved the related party transactions as placed before the meeting.

The Board has perused the information and justification placed before the Board for the related party transaction as per the following details:

Resolved that based on and having regard to the information and justification provided by the management with regard to the transactions referred to herein and pursuant to provisions of Section 188 and 177 read with Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014, approval of the Board be and is hereby granted for the following transactions:

1.	Name of the related party	
2.	Nature of relationship	
3.	Nature of Contract	
4.	Duration of Contract	
5.	Particulars of Contract	
6.	Material terms of the contract or arrangement including the value, if any	
7.	Advance paid or received for the contract or arrangement, if any	

Note : The information and justification provided by the management with regard to the transaction should be set out in the minutes of this item before setting out the above resolution

10 RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction.

The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate. In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

11 OPINION OF AMARCHAND MANGALDAS

Opinion attached for perusal and reference.