



TATA AIG General Insurance Company Limited
Policy for Dealing with Related Party Transactions and Disclosures

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TATA AIG GENERAL INSURANCE COMPANY LIMITED

POLICY FOR DEALING WITH RELATED PARTY TRANSACTIONS AND DISCLOSURES

I. Background:

The Companies Act, 2013 (“CA 2013”) has introduced sections 177, 184 and 188, which contain provisions regarding Related Party Transactions (“RPTs”) and dealing with such RPTs by the Company. These sections, along with the relevant Rules framed under the CA 2013, have introduced certain compliances and approval requirements regarding the RPTs. Further, the Insurance Regulatory and Development Authority of India (“IRDAI /Authority”) pursuant to the Corporate Governance Guidelines of 2016 mandates all insurance companies to formulate a policy for dealing with RPTs.

Accordingly, the Board of Directors (“Board”) of Tata AIG General Insurance Company Limited (“Company”) has adopted the Policy for Dealing with Related Party Transactions and Disclosures (“RPT policy/Policy”)

II. Definitions under Companies Act, 2013/ Terms defined as under and used in the policy:

a. Associate Company (Section 2(6)):

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.

Explanation: - For the purpose of this clause:

- i. the expression “significant influence” means control of atleast twenty per cent of total voting power, or control of or participation in business decisions under an agreement.
- ii. the expression “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.

b. Board of Directors or Board (Section 2(10)):

Board of Directors or Board, in relation to a company, means the collective body of the Directors of the Company.

c. Company:

Company means “Tata AIG General Insurance Company Limited”

d. Holding Company (Section 2(46)):

Holding Company in relation to one or more other companies, means a company of which such companies are subsidiary companies.

Explanation: - For the purpose of this clause, the expression "company" includes any body corporate

e. Key Managerial Personnel (Section 2(51)):

Key Managerial Personnel in relation to a company means:

- i. the Chief Executive Officer or the Managing Director or the Manager
- ii. the Company Secretary
- iii. the Whole Time Director
- iv. the Chief Financial Officer
- v. such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- vi. such other officer as may be prescribed.

f. Relative (Section 2(77)):

Relative with reference to any person means any one 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.

Rule 4 of the Companies (Specification of Definition Details) Rules 2014 states that a person shall be deemed to be the relative of another, if he or she is related to another in the following manner namely:

- 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)

g. Related Party (Section 2(76))

Related Party with reference to a company 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 or his relative is a member or director;
- v. a public company in which a director or manager is a director and holds alongwith his relatives, more than two percent 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* 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 holding, subsidiary or associate company of such company; or
 - a subsidiary of a holding company to which it is also a subsidiary;
 - 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 person as may be prescribed.

As per MCA notification dated 17th July, 2014 the Companies (Specification of Directors Details) Rules, 2014: A Director (other than 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.

In clauses (vi) and (vii) above, there is a criterion of “accustomed to act” for identification of related parties and while the CA, 2013 does not mention a guidance on this criterion, the following general propositions would be considered:

- a general conduct indicating that one is in the habit of carrying out the instructions or directions of the third person concerned, which may involve non-exercise of own discretion or judgment by the concerned person (or Board of Directors) and acting in accordance with the directions or instructions of the third person.
- holding of more than fifty percent voting power or control over the composition of majority of Board of Directors by any body corporate or individual, directly or indirectly. In such cases the Board of the former company can be deemed to be accustomed to act in accordance with the directions or instructions of the latter.

h. Subsidiary Company or Subsidiary (Section 2(87))

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.

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation-For the purposes of this clause-

- 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;
- d. "layer" in relation to a holding company means its subsidiary or subsidiaries;

i. Ordinary Course of Business:

Ordinary Course of Business ("OCB") includes but is not limited to a term for activities that are necessary, normal, and incidental to the Company's business. These are common practices and customs of commercial transactions. The OCB also covers the usual transactions, customs and practices related to the business.

The following factors are indicative of a transaction being in the ordinary course of business:

- i. the transaction is in the normal course of business or entered into pursuant to the main objects or objects incidental or ancillary to main objects as envisaged in the Memorandum and Articles of Association ("MOA & AOA") of the Company as amended from time to time or otherwise unremarkable for the business.
- ii. the transaction is frequent/regular and also a source of regular income or business for the Company and is as per historical practice with a pattern of frequency.
- iii. the income, if any, earned from such activity/transaction is assessed as business income in the Company's books of accounts and hence is a business activity.
- iv. is common commercial practice,
- v. the transaction is permitted by the Regulators or any other Law for the time being in force.
- vi. transactions that are part of the standard industry practice, even though the Company may not have done it in the past.
- vii. meets any other parameters/criteria as decided by the Board/Audit Committee.

Pursuant to the requirements of IRDA issued Corporate Governance Guidelines 2016 the following transactions as listed below for an insurance company; though not exhaustive shall fall within the ambit of OCB:

- i. Sale of Insurance products and settlement of claims.
- ii. Appointment of Brokers / Agents and Payment of Brokerage / Commission.
- iii. Appointment of Counsels, Consultants, Auditors in the normal course of business etc.
- iv. Reinsurance arrangements / Co-Insurance.
- v. Undertaking of Banking and Investment transactions.
- vi. Payment of royalty, dividend etc.
- vii. Incurring expenses towards infrastructure sharing.

- viii. Incurring expenses towards use of trademarks.
- ix. Reimbursement of expenses.
- x. Arrangement with vendors for procurement of goods and services including but not limited to;
 - Telecommunication Services
 - Mail, messaging and internet services
 - Purchase and annual maintenance services of Air conditioners /Office equipments for branch office(s).
 - Procuring electronic goods and office equipments.
 - Purchasing of Air tickets, car hires and arranging tours.
 - Purchase of software, software development, maintenance and manpower services.
 - Advertisements and infrastructure.
 - Call Centre.
 - Claims Assistance including but not limited to First Notification of Loss services etc..

j. Arm's Length Transaction (Explanation to Section 188(1))

The expression "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. The term "Arm's Length basis" is coterminous with this term and shall be construed accordingly.

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.

k. Material Related Party Transaction:

"Material Related Party Transaction" means a transaction (includes transactions involving payments with respect to brand usage or royalty) with a related party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company and includes transactions which fall within the ambit of Rule 15 of the Companies (Meeting of the Board and its Powers) Rules, 2014.

l. Group Company/Group:

The term Group Company includes all entities wherein Tata Sons Pvt. Ltd. has a controlling stake, exercised directly and/or indirectly through its subsidiaries, associates, management representations, shareholder's agreements and other special purpose vehicles of atleast twenty percent of the total voting power in the controlled entity or any person nominated by Tata Sons on the Board of such entity on whose advice, directions or instructions , the Board or the Manager or the Key Managerial Personnel are accustomed to act or has the power or right to appoint majority of the directors on the Board of such entity and the term Group shall have the same meaning as defined in the IRDA (Investment) Regulations, 2016.

m. Turnover:

The Company's turnover will be considered as the "Total Income" i.e. Gross Premium Income and Other Income.

It may be noted that this policy framework, including the definitions above, is meant solely for the purposes of compliance with Related Party transaction requirements under Companies Act, 2013. The above terms may have different connotations for other purposes like disclosures in the financial statements etc., which are governed by applicable regulations, accounting standards, regulatory guidelines etc which are not applicable in the context of Related Party Transactions envisaged under this Policy.

III. Process for Approval of Related Party Transactions:

A. Role of Audit Committee

- i. All transactions which are identified as Related Party Transactions ("RPTs") by the Secretarial team should be pre-approved by the Audit Committee before entering into such transaction by the Company. The Audit Committee ("Committee") shall consider all relevant factors such as nature of the transaction, material terms, commercial and non-commercial covenants, commercial and technical rankings of proposed service providers/vendors, business rationale, scope of services, compelling reasons for entering into the transaction, management representations, independence requirements of committee members, special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction, risks involved including reputational risks and/or reports of the independent consultants on arms' length pricing etc. while deliberating the RPTs for its approval. Upon such consideration, the Committee may approve the RPT or may require such modifications to transaction terms as it deems appropriate under the prevailing circumstances.
- ii. The Audit Committee may requisition for 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 including stock exchange and commodity market quotations, 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.
- iii. Any member of the Committee who has a potential interest in any RPT will recuse himself/herself and abstain from discussion and voting on the approval of the RPT. A RPT which is (i) not in the ordinary course of business, and/ or (ii) not at arm's length basis, would require approval of the Board of Directors or of shareholders as discussed subsequently.
- iv. The Committee may grant Omnibus approval through the Omnibus framework for RPTs which are repetitive in nature and subject to certain criteria/conditions as required under Rule 6A of Companies (Meetings of Board and its Powers) Rules, 2014 and such other conditions as it may consider necessary in line with this policy and in the interest of the Company. Such Omnibus

approval shall be valid for one financial year. A transaction with an existing related party vendor for availing new services/products or availing of similar or existing services /products from new vendors being related parties which are not covered under the Omnibus approval would require a prior standalone approval of the Committee. Any proposal seeking omnibus approval shall specify i) the name(s) of the related party, (ii) the 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 detail(s) as may be specified by the Committee as may deem fit by it or stipulated by the Company from time to time. When a RPT cannot be foreseen and/or details as mentioned aforesaid are not available, the Committee may grant omnibus approval for such transactions of value not exceeding Rupees One Crore per transaction. The Committee shall be at a liberty to revise the Omnibus framework as it deems fit given the circumstances during the financial year.

Transaction(s) of following nature will not be subject to the Omnibus approval of the Audit Committee:

- Transactions which are not at arm's length or not in the ordinary course of business.
 - Transactions which are not repetitive in nature.
 - Transactions exceeding materiality thresholds as laid down in the Policy.
 - Financial Transactions eg. Loan to related parties, Inter Corporate Deposits, subscriptions to Bond, Debenture or Preference shares issued by the related parties, Corporate Guarantee given/received from related parties.
 - Any other transaction the Committee may deem not fit for omnibus approval.
- v. A RPT entered into by the Company, which is not under the Omnibus approval or otherwise pre-approved by the Committee, will be placed before the Committee for ratification. In case of transaction(s), other than transaction(s) referred to in section 188, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board.
- vi. In case the Committee does not deem fit to ratify a RPT that has commenced without its approval, the Committee, may direct additional actions including, but not limited to, immediate discontinuation of the transaction or such other matter as it may deem appropriate. The Committee also have the authority to modify or waive any procedural requirement of the RPT to suit the provision of this policy.
- vii. In case any transaction involving any amount not exceeding one crore rupees is entered into by a director or officer of the Company without obtaining the approval of the Committee and it is not ratified by the Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Committee and if the transaction is with the related party to any director(s) or is authorized by any other director(s), the director(s) concerned shall indemnify the Company against any loss incurred by it.
- viii. The Committee shall satisfy itself whether the RPT would present a conflict of interest for any Director or Key Managerial Personnel ("KMPs") of the Company, taking into account the size of the transaction, the overall financial position of the Director, KMP, Executive Officer or other

Related Party, the direct or indirect nature of the Director's, KMPs or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

- ix. If the Committee determines that a RPT should be brought before the Board for approval, or if the Board in any case elects to review/approve any such RPT or it is mandatory under any law for Board to approve the RPT, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the prevailing circumstances.
- x. All RPTs being in the ordinary course of business and on arm's length basis may be approved by the Committee by passing a resolution by circulation under the provisions of CA 2013.

B. Role of Board of Directors:

- i. The consent of the Board of Directors pursuant to the provisions of the CA 2013 is required, by way of a resolution passed at a meeting of the Board, for entering into RPTs within the thresholds as specified in section 188 of the Act and which are (i) not in the ordinary course of business, and/or (ii) not at an arm's length basis/ price.
- ii. In case any RPTs are referred to the Board for its approval by the Committee, the Board will consider all such requirements as would have been considered by the Committee as mentioned aforesaid. Upon such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the prevailing circumstances. Any member of the Board who has any interest in any RPT will recuse himself and abstain from discussion and voting on the approval of the RPT. The Company shall further disclose any conflict of interests to the Board for their management and control.
- iii. Each Director and Key Managerial Personnel of the Company will provide a notice to the Board of any potential RPT involving him or her or his or her Relative, including any additional information about the transaction that the Board may reasonably request. The notice of any potential RPT should be communicated to the Board in advance so that it has adequate time to obtain and review necessary information about the proposed transaction.
- iv. Any Director or KMP who has a potential conflict of interest in any RPT shall not participate in any discussion or approval of a RPT and shall not be counted in determining the presence of quorum of the meeting when such transaction is considered.
- v. The Board shall approve the RPTs in respect of which the Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and transactions which are in the ordinary course of business and at arm's length basis, but which in the Committee's view requires a Board approval.

- vi. Every contract or arrangement, which is required to be approved by the Board or the shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- vii. In case any contract or arrangement is entered into by a director or any other employee of the Company without obtaining the consent of the Board or approval by a resolution in the general meeting under sub section (1) of section 188 and if it is not ratified by the Board or as the case may be, by the shareholders at the general meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or as the case may be, of the shareholders and if the contract or arrangement is with a related party to any director(s), or is authorized by any other director(s), the director(s) concerned shall indemnify the Company against any loss incurred by it.
- viii. All transactions proposed to be entered into by the Company with parties/entities being related parties pursuant to the provisions of the Joint Venture Agreement entered into by the shareholders of the Company may be approved by the Board and no Audit Committee approval would be required in such cases unless such parties/entities qualify to be related parties under section 2(76) of the CA 2013.

C. Role of Shareholders:

If an RPT exceeds certain thresholds prescribed under section 188 of the CA 2013, it shall require the Board's and shareholders' approval by a resolution pursuant to the requirements of Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014. In such a case, any member who is a related party, whether interested or not in the transaction shall not vote on resolution passed for approving such RPT. All material RPTs will require the approval of the shareholders duly passed at a general meeting of the Company or through such other means as may be approved by the Ministry of Corporate Affairs ("MCA") from time to time.

IV. Methodology of determination of Arms' Length Pricing:

For the purpose of compliance with arm's length principle both for indigenous and also for foreign transactions, an effective approach is a comparison with pricing of transactions with independent parties, which may involve comparison of the terms:

- a. with those of an identical or similar transaction with one or more unrelated parties; or
- b. with known market terms for identical or similar transactions.

Further, different types of transactions may require other methods of assessing arm's length principle which may involve Transfer Pricing ("TP") methods prescribed under the Income Tax Act 1961. In terms of the Transfer Pricing Regulations, a report in Form no. 3CEB is obtained from a firm of Chartered Accountants under Section 92E of the Income Tax Act, 1961 and filed every financial year before 30th November evidencing that the transactions with associate enterprises are at arm's length.

Transactions deemed to be at Arms' Length Price:

- a. In case of insurance cover is given by the insurance company to a Related Party, the price/ premium quoted by the company under F&U guidelines would be considered at arm's length. Similarly, in case of commission paid to corporate agents in adherence to the terms and conditions of products filed under the IRDAI File and Use Guidelines would be considered as being at arm's length.
- b. Most of the business is normally placed through brokers and corporate agents who obtain comparable quotes from other insurance companies. In respect of the said policies in an event a claim arises, the company in its normal course has to settle claims based on the coverages of the policy and reports of the surveyors thereto.
- c. Compensation/reimbursement of expenses towards infrastructure sharing, deputation of employees and other expenses, including ESOPs and other arrangements among Related Parties which are incurred on the basis of a cost sharing policy between the group entities, or internal cost and effort estimates of the respective entities.

V. Parties deemed to be Non-Related Parties under this policy:

The following entities shall be deemed to be non-related parties under the CA 2013 as they do not fall within the purview of Section 2(76) of the Act and accordingly the provisions of the policy with respect to Audit Committee approval etc. will not be applicable to them:

- a. Any entity which is an associate company of the holding company; provided the criteria as laid down in sub section (iv) and (v) of section 2(76) of CA 2013 is not satisfied.
- b. Any entity which is the holding, subsidiary, fellow subsidiary, associate, joint venture, special purpose vehicle or group company of the foreign promoter.
- c. Parties/entities which are reported as related parties under the applicable accounting standards.

VI. Website Requirements:

The Company shall disclose the Policy on its website pursuant to the requirements of Regulation 62 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time. and also a web link thereto shall be provided in the Annual Report.

VII. Review of Policy:

The Policy shall be reviewed/approved by the Audit Committee and Board on a yearly basis or as and when warranted. This policy shall be communicated to all operational employees and other concerned persons of the Company.

VIII. Limitation and Amendment:

In the event of any conflict between the provisions of this Policy and of the CA 2013 and the Rules made thereunder, Insurance Laws, IRDAI Guidelines on Corporate Governance or any other applicable statutory enactments or rules; the provisions of such Acts, Rules, Statutory enactments or Laws shall

prevail over this Policy. Any subsequent amendment / modification in Acts, Rules, Statutory enactments or Laws in this regard shall automatically apply to this Policy.

PROCESS OF DEALING WITH RELATED PARTY TRANSACTIONS

