

**PNB MetLife India Insurance Company Limited**

**RELATED PARTY TRANSACTION  
POLICY**

Version	Date	Review
Release 1.0	10 <sup>th</sup> August 2017	Inclusion of Outsourcing relevant clauses
Revision 2.0	7 <sup>th</sup> February 2018	Annual Review
Revision 3.0	31 <sup>st</sup> May, 2018	Amendments proposed in order to comply with SEBI (Listing Obligations and Disclosure
Revision 4.0	November 11, 2019	Definition of Networth and Turnover amended in order to comply with the amendments of Companies Act, 2013
Revision 5.0	May 26, 2020	Policy reviewed in order to align with the changes in the provision of the Companies Act, 2013 along with other cosmetic changes. Also process of identification of Related Party is carved out of this policy and forms part of SOP on Related Party Transaction.
Revision 6.0	May 25, 2021	Determination of Arm's length

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**1. OBJECTIVE:**

The Objective of this Related party policy (Policy) is to ensure that all transactions between the PNB MetLife India Insurance Company Limited (Company) and its related parties are identified, reviewed, disclosed and approved pursuant to the applicable law.

**2. GUIDING ACT/REGULATIONS/RULES**

All provisions of applicable law, including, but not limited to, the Companies Act, 2013 and rules framed thereunder, (“Act”) , IRDAI Corporate Governance Guidelines 2016 (“Guidelines”),IRDAI (Outsourcing of Activities by Indian Insurers) Regulations 2017 (“Outsourcing Regulation”)and all regulations, rules, guidelines, clarifications issued by the IRDAI from time to time and Accounting Standard – 18 including any amendment or modification thereof, to the Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee.

All transactions as specified under the provision of the aforesaid Act entered into by the Company with Related Parties shall be in compliance with the provisions of all applicable laws and regulations and this Policy.

**3. Method of determining Arm’s Length as per Income Tax**

Wherever applicable, the Company shall use an appropriate method as per the Transfer Pricing provisions under the Income-tax Act, 1961 and the relevant rules to determine the Arm’s Length Price (‘ALP’). The ALP would be determined having regard to the nature of transaction or class of transaction or class of associated persons or functions performed by such persons.

Further, below is an illustrative, non-exhaustive list of transactions that are usually undertaken by the Company with related parties and the respective methodology that may be used for determination of arm’s length basis.

Nature of transaction	Methodology of determination of Arm’s length basis
Purchase of goods or services	Fair technical and commercial evaluation through <ul style="list-style-type: none"> <li>• RFP process</li> <li>• Market benchmarking exercise by an independent consultant</li> <li>• Establishing Arm’s Length through transfer pricing mechanism</li> <li>• Any other process that can adequately demonstrate arm’s length</li> </ul>
Banking transactions	Comparable quotes to demonstrate fair pricing

Insurance business related transactions/ Insurance cover	As per product File & Use of the company, as filed with IRDAI. With respect to participation in RFP for Group policies, the participation shall be as per the norms applicable for all applicants and quotes to be negotiated in the normal course of business
Investment transactions	As per the investment policy of the Company; purchase/sale done from market at market rates
Reimbursements for expenses incurred on behalf of related party and vice versa	Third party invoices/debit notes
Reinvestment funding to support digital initiatives and operational excellence etc.	Funding: Confirmation from related party that funding is part of their global/overall strategy Spend: Expenses incurred by PMLI (not exceeding 100% of cost) and comparable quotes obtained, if any
Any other transactions in normal course of business	Comparable quotes to demonstrate fair pricing
Remuneration to KMP	Recommendation/ approval by Nomination and Remuneration Committee and approval by Board and/or Shareholders in line with provisions of the Corporate Governance Guidelines

#### **4. REVIEW AND APPROVAL**

##### **A. Approval of the Audit committee**

- a) All RPTs shall require prior approval of Audit Committee, whether at a meeting or by circulation;
- b) The Audit Committee, in order to review a RPT, shall be provided with all relevant material information of the RPT, including the details of name of the related party, nature of relationship, advance paid or received from the Related party, manner of determining the price and other commercial aspects of the proposed transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters;
- c) The Audit Committee, while reviewing the transaction, shall consider all the relevant factors/ criterion, including but not limited to:-
  - Whether the terms of the Related Party Transaction, including the pricing of the Related Party Transaction are in the Ordinary Course of Business and on an Arm's length basis;
  - Whether the terms are fair to the Company and would apply on the same basis as if the transaction did not involve a Related

Party;

- Availability and / or the opportunity cost of alternate transactions;
  - Whether the Related Party Transaction would impair the independence of an otherwise independent director;
  - materiality and interest (direct/ indirect) of the Related Party in the subject transaction, actual or apparent.
- d) The Audit Committee shall also have the right to suggest any modification(s) in the proposed Related Party Transaction.

### **OMNIBUS APPROVAL**

In the case of frequent / regular / repetitive transactions which are in the Ordinary Course of Business, the Audit Committee may grant standing pre-approval / omnibus approval, subject to the following conditions:-

- a) The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;
- b) The criteria for giving omnibus approval shall be in accordance with the provision of the Section 177 of the Companies Act, 2013 read with Companies (Meeting of Board and its Powers) Rules, 2014  
However, where the need for RPT cannot be foreseen and details for according omnibus approval are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 Crore per transaction.
- c) Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the basis on which omnibus approval is granted have been varied / amended. Any proposed variations / amendments to these factors shall require a prior approval of the Audit Committee.
- d) Such omnibus approvals shall be valid for a period not exceeding one financial year and will be required to be placed again before the Audit Committee after the expiry of one financial year. The Audit Committee shall also review, on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.

- e) Omnibus approval shall not be provided for transactions in respect of selling or disposing off the undertaking or part of the undertaking of the Company.
- f) The Audit Committee may impose any other conditions in relation to RPTs that it deems fit.

## **B. Approval by the Board**

- a) If the Audit Committee determines that a RPT should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for the 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 circumstances.
- b) All Related Party Transactions that are not in the Ordinary Course of Business or not on an Arm's length basis shall be referred to the Board of Directors for their approval. Any member of the Audit Committee / Board who has an interest in any RPT, shall recuse him or herself and abstain from discussion and voting on the approval of such RPT.

## **C. Approval by the Shareholders**

Related Party Transactions shall be placed for prior approval of shareholders if it exceeds the thresholds as prescribed under the Companies Act, 2013 which is as below:

- i. Sale, purchase or supply of any goods or materials, directly or through appointment of agent, amounting to ten per cent. or more of the turnover of the company as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188 of Companies Act, 2013;
- ii. Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten per cent. or more of net worth of the company, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188 of Companies Act, 2013;
- iii. Leasing of property of any kind amounting to ten per cent. or more of the net worth of the company, as mentioned in clause (c) of sub-section (1) of section 188 of Companies Act, 2013;
- iv. Availing or rendering of any services, directly or through appointment of agent, amounting to ten per cent. or more of the turnover of the company as

mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188 of Companies Act, 2013.

These limits shall however, apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

### **RATIFICATION**

Any RPT entered into without obtaining the prior approval of the Audit Committee or Board or Shareholders (appropriate authority/ies), and if it is not ratified by the Audit Committee or Board or Shareholders as the case may be within three months from the date of such contract or arrangement was entered into such contract or arrangement shall be voidable at the option of the Audit Committee or Board or Shareholders as the case may be, if post review of the said transaction / contract, the appropriate authority is satisfied, that the said RPT is not detrimental to the interest of the Company and is not against provisions of applicable law, however, the appropriate authority may also ratify such transaction or contracts, with or without any modification(s).

If the appropriate authority decides, not to approve a particular transaction, it may require the Related Party to reimburse the benefits which might have accrued to it and/ or indemnify the Company with regard to the relevant RPT which is not approved by the appropriate authority.

### **5. OUTSOURCING ACTIVITIES TO RELATED PARTIES**

The Company shall ensure compliance with the following additional principles where outsourcing service providers are the Related Parties or group entities of the Company:

- (a) With the objective of avoiding potential conflict of interest, the Company shall endeavor that the Related Parties or group entities of the Company or insurance intermediaries registered with the IRDAI shall ordinarily not be engaged for outsourcing any of the activities;
- (b) The Company shall not outsource any activity that leads to potential conflict of interest with the functions of the Company or with the functions of insurance intermediaries;
- (c) Where it is considered necessary to outsource any activity to the Related Parties or group entities of the Company or Related Parties or group entities of the insurance intermediaries registered with the IRDAI who are working either with the Company or with any other insurers, the Company shall undertake a complete due diligence and the Company shall be bound to ensure maintaining arm's length



distance.

- (d) The Company shall ensure that in respect of all the activities outsourced to the Related Parties or group entities of the Company or Related Parties or group entities of insurance intermediaries; the consideration amount agreed upon and modifications thereon, if any, shall be subject to specific approval of the Outsourcing Committee of the Company.

Provided while determining the consideration amount the Outsourcing Committee take into consideration the outsourcing policy approved by the Board and the principles of applicable law, including, the IRDAI (Outsourcing of Activities by Indian Insurers) Regulations 2017.

- (e) All the activities outsourced to the Related Parties or group entities shall be reported to the IRDAI within 30 days of date of outsourcing agreement.
- (f) Payments made in respect of (e) above, shall be reported separately to the IRDAI in accordance with the provisions of the IRDAI (Outsourcing of Activities by Indian Insurers) Regulations 2017.
- (g) In case, any of the outsourcing service provider becomes a Related Party or a group entity of either the Company or insurance intermediaries the Company shall report the fact to the IRDAI within 30 days of such an event.
- (h) Adequate documentation such as materiality assessments, adherence to the insurer's outsourcing policy, cost benefit analysis, due diligence reviews, pricing assessments, risk analysis, basis to determine arm's length distance, etc. should be maintained for a period of 5 years from the end of the outsourcing contract period for every outsourcing arrangement.
- (i) Norms specified herein shall be followed where an individual insurance agent of the Company is one of the promoters or one of the directors of the outsourcing service provider.

## **6. TAXATION**

- (a) Transactions to be tested for ALP as per Income tax Act, 1961
- (b) Documentation will be maintained as required under section 92D read with Rule 10D
- (c) Valuation principles as per Goods and Service Tax Act 2017 wherever applicable

## **7. REVIEW AND AMENDMENTS**

This Policy shall be reviewed by the Board on a yearly basis, amended by the Board at any time as it may deem fit and is subject to any amendments to the provisions of all

applicable laws. In case of any conflict between this Policy and the provisions of applicable law, the provisions of law shall prevail and shall be binding on the Company. Any subsequent modifications/amendments shall be updated in the policy and reviewed.

## **8. DISCLOSURE AND DOCUMENTATION**

Appropriate disclosures as and when required under the provisions of applicable law, including, the Companies Act 2013 and the rules framed thereunder shall be made in Board's report (*whether as annexure or as statement*) as below:

- Details of material contracts/arrangements/transactions at arm's length basis and details of contracts/arrangements/transactions not at arm's length basis in Form AOC-2
- Details of contract or arrangement entered into under Section 188(1) of the Companies Act 2013 shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement
- The Company shall maintain adequate documentation as prescribed under the Act, the Guidelines, the Outsourcing Regulations, the IRDAI (Minimum Information Required for Investigation and Inspection) Regulations, 2020 and any other applicable laws and regulations
- The Company shall maintain such registers as required under the provisions of the Companies Act, 2013 and rules made thereunder
- The Company needs to comply with disclosure requirements as specified in 'AS 18 – Related party transaction disclosures' while preparing the annual/interim financial statements. The identification of related parties and related party transactions should be as specified in AS 18
- The Board shall ensure that information regarding all pecuniary relationships or transactions of the Non-Executive Directors vis-à-vis the Company is disclosed in the Annual Report

### **POLICY OWNERSHIP**

This Policy is jointly owned by Finance Department and Board Affairs and has the responsibility to implement and ensure compliance to this Policy. Any deviation to this Policy is to be reported to the Board via Audit Committee of the Company.

### **CONSEQUENCE MANAGEMENT**

Any person acting in violation of this Policy may expose the Company to regulatory risks. Appropriate actions will be taken against such persons in accordance with the employee disciplinary action process or any other action that the Company may deem fit.

## Annexure 1

### DEFINITIONS

- a. **“Arm’s length Transaction”** means transaction between two related or affiliated parties that is conducted as if they were unrelated, so that there is no question of conflict of interest”
- b. **“Arm’s length basis”** means if the key terms of the transaction in question are comparable to those of similar transactions which would have taken place between unrelated parties.
- c. **“Audit Committee or Committee”** means the Committee of the Board constituted from time to time under the provisions of Section 177 of the Companies Act, 2013.
- d. **“Board”** means the Board of Directors of the Company.
- e. **“Director”** means a director on the Board.
- f. **“Group”** means as defined under regulation 4 of the IRDAI (Outsourcing of activities by Indian Insurers) Regulations, 2017. Two or more individuals, association of individuals, firms, trusts, trustees or bodies corporate, or any combination thereof, which exercises, or is established to be in a position to exercise, significant influence and / or control, directly or indirectly, over any associate as defined in Accounting Standard (AS), body corporate, firm or trust, or use of common brand names, Associated persons, as may be stipulated by the Authority, from time to time, by issuance of guidelines under these regulations.
- g. **“IRDAI”** means the Insurance Regulatory and Development Authority of India.
- h. **“Net Worth”** means the aggregate value of the paid-up share capital and all reserves created out of profits, securities premium account and debit or credit balance in P & L 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 and fair value change.
- i. **“Turnover”** means gross amount of revenue recognized in the profit and loss account from the sale, supply, or distribution of goods or on account of services rendered or both, by a Company during a financial year. Accordingly, for the Company, the ‘turnover’ will be considered as the ‘Gross Premium Income”
- j. **Financial year** in relation to any company or body corporate, means the period ending on the 31st day of March every year, and where it has been incorporated on or after the 1st day of January of a year, the period ending on the 31st day of March of the following year, in respect

whereof financial statement of the company or body corporate is made up.

- k. **“Key Managerial Personnel”** means Key Managerial Personnel as defined under the Companies Act, 2013. means
- the Chief Executive Officer or the managing director or the manager;
  - b) the company secretary;
  - c) the whole-time director;
  - d) the Chief Financial Officer; and
  - e) 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
- l. **“The transactions in ordinary course of insurance business”** means a transaction which is :
- (i) Entered into by the Company in the normal course of business in accordance with the main objects or objects incidental to the main objects as envisaged in the Memorandum of Association (MOA), or
  - (ii) In connection with or related to or ancillary to the normal business activities carried on by the Company, or
  - (iii) Entered frequently over a period of time, or
  - (iv) As per Standard / Industry practices, or
  - (v) Permitted by IRDAI or any other law for the time being in force.

The following are the examples of related party transactions which are regularly undertaken by the Company:

- Sale of Insurance policies
- Renewal of insurance contracts or policies
- Payout of benefits like maturity value, surrender value or claim pursuant to an underwritten insurance contract
- Payment of Commission and rewards and recognition
- Bank charges
- Payment of dividend
- Payment of remuneration to MD/CEO/KMPs
- Investment transactions
- Grant of loan against an underwritten insurance contract
- Transactions which are part of standard industry practice, even though the company may not have done it in the past
- Reimbursement of expenses
- Participation in bidding/auction process
- Any other transaction which is entered into by the Company in order to comply with any rules, regulations, guidelines, and/or directions issued by the IRDAI and any other regulatory authority, to the extent applicable or required

- m. **“Related Party”** means a related party as defined under Section 2(76) of the Companies Act, 2013.

- a director or his relative; or a key managerial personnel or his relative;
- a firm, in which a director, manager or his relative is a partner;
- a private company in which a director or manager or his relative is a member or director;
- a public company in which a director or manager is a director and holds along with his relatives, more than 2% of its paid-up share capital;
- 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\*
- any person on whose advice, directions or instructions a director or manager is accustomed to act\*:
- any body corporate which is—
  - a holding, subsidiary or an associate company of such company;
  - a subsidiary of a holding company to which it is also a subsidiary; or
  - an investing company or the venturer of the company\*\*;
- A director other than an independent director or key managerial personnel of the holding company or his relative;

\*Provided that nothing shall apply to the advice, directions or instructions given in a professional capacity;

\*\*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;

**n. “Relative”** means a relative as defined under the Section 2(77) the Companies Act, 2013. with reference to any person, means anyone who is related to another, if:

- a) they are members of a Hindu Undivided Family;
- b) they are husband and wife; or
- c) one person is related to the other (as a Father, Mother, Son, Son’s wife, Daughter, Daughter’s husband, Brother or Sister);

**o. “Related Party Transaction (or RPT)”**

As per Section 188 of Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014, the following transactions will be considered as “Related Party Transactions”;

- i. sale, purchase or supply of any goods or materials;
- ii. selling or otherwise disposing of, or buying, property of any kind;
- iii. leasing of property of any kind;
- iv. availing or rendering of any services;
- v. appointment of any agent for purchase or sale of goods, materials, services or property;
- vi. such related party’s appointment to any Office or Place of Profit in the company, its subsidiary company or associate company; and
- vii. underwriting the subscription of any securities or derivatives thereof, of the company

**p. "Material Contract"**

In absence of explicit definition of material contracts under the provisions of the Companies Act, 2013, for the purpose of this policy material contract would mean such contracts/arrangements/transactions which require shareholders' approval as prescribed under rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, as amended.