



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

Table of Contents

1. Introduction	3
1.1 Background.....	3
1.2 Objective	3
1.3 Applicability	3
1.4 Review and approval of the policy	3
2. Policy Requirements	3
2.1 Dealing with Material Related Party Transactions	3
2.2 Dealing with Related party transactions	4
2.3 Related Party Transactions not approved under this policy	6
2.4 Method of determination of arm's length price	7
3. Reporting.....	7
4. Record Keeping.....	8
5. Appendices	8
5.1 Definition.....	8

1. Introduction

1.1 Background

The Board of Directors (the “Board”) of SBI Life Insurance Company Limited (the “Company”) has adopted the following policy with regard to related party transactions in line with the

1. requirements of Section 177, 188 and other applicable provisions of Companies Act, 2013 read with the Companies (Meeting of Board and its Powers) Rules, 2014 (hereinafter referred to as ‘the Act’),
2. IRDAI (Corporate Governance for Insurers) Regulations, 2024 and Master Circular on Corporate Governance for Insurers, 2024
3. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as ‘SEBI Listing Regulations, 2015’), including any amendments in the above mentioned Act/ Regulations/ Guidelines.

Regulation 23 (1) of the SEBI Listing Regulations and IRDAI (Corporate Governance for Insurers) Regulations, 2024, on Related Party Transactions requires a company to formulate a policy on materiality of related party transactions and on dealing with the Related Party Transactions. This Policy is formulated to comply with the requirement of the above said regulation.

1.2 Objective

The objective of the Policy is to provide basis on which the Materiality of Related Party Transactions will be determined and the manner of dealing with the Related Party Transactions and subsequent material modifications.

1.3 Applicability

This Policy shall be applicable to all Related Party Transactions entered by the Company and its subsequent material modifications.

1.4 Review and approval of the policy

The Policy will be reviewed by Board Audit Committee and will be recommended to the Board of Directors for approval, at least annually or as and when required.

Operational Guidelines with respect to the Related Party Transaction and/or Material Related Party Transaction under the policy will be framed and amended from time to time with the approval of Managing Director and CEO.

2. Policy Requirements

2.1 Dealing with Material Related Party Transactions

In respect of all Material Related Party Transactions and its subsequent material modifications, the Company shall obtain prior approval of the shareholders through a resolution and no related party shall vote to approve resolution irrespective of whether the Related Party is a part of particular transaction or not.

Prior approval of shareholders of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if Regulation 23 and sub-regulation (2) of Regulation 15 of these regulations are applicable to such listed subsidiary.

2.2 Dealing with Related party transactions

2.2.1 The Company shall obtain prior approval of the Audit Committee in respect of Related Party Transactions and subsequent material modifications.

2.2.2 The Audit committee is empowered to grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiary.

2.2.3 Before granting any approval, the Audit Committee shall satisfy itself that the approval is in the interest of the Company.

2.2.4 The Audit Committee may grant omnibus approval to those transactions which are frequent / regular /repetitive in nature or other transactions upto such size as the Audit Committee may deem fit.

2.2.5 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 Audit Committee as may deem fit or stipulated by the Company from time to time.

2.2.6 When a Related Party Transaction cannot be foreseen and/or details as mentioned in the clause 2.2.5 are not available, the Audit Committee may grant omnibus approval for such transactions of value not exceeding Rs.1 crore per transaction.

2.2.7 Audit Committee shall review, on quarterly basis, or as may be required, the details of all Related Party Transactions entered into by the Company pursuant to omnibus approval accorded by it.

2.2.8 The omnibus approval granted by the Audit Committee shall be valid for a period not exceeding one year and the Audit Committee is empowered to grant fresh approval on expiry of such validity period.

2.2.9 The consent of the board of directors is required, by a resolution at a meeting of the Board, for entering into related party transactions within the thresholds specified in section 188 of the Act and which are (i) not in the ordinary course of business, or (ii) not at an arm's length price.

2.2.10 In case any related party transactions are referred by the Company to the Board for its approval, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for

entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances.

- 2.2.11** No member of the Audit Committee / Board shall participate in the review or approval of any Related Party Transactions in which such member is interested except that the Key Managerial Personnel, although can be present, shall provide all material information concerning the Related Party Transaction to the Audit Committee/ Board.
- 2.2.12** If a related party transaction is not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under section 188 of the Act, it shall require shareholders' approval by a resolution. In such a case, any member who is a related party shall not vote on resolution passed for approving such related party transaction.
- 2.2.13** A related party transaction to which the subsidiary of the Company is a party but the Company itself is not a party, shall require prior 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 ten per cent (or as per amendments in the regulations) of the annual consolidated turnover, as per the last audited financial statements of the Company.
- 2.2.14** With effect from April 1, 2023, a related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior 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 ten per cent (or as per amendments in the regulations) of the annual standalone turnover, as per the last audited financial statements of the subsidiary.
Prior approval of the audit committee of the company shall not be required for a related party transaction to which the listed subsidiary is a party but the company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.
For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the audit committee of the listed subsidiary shall suffice.
- 2.2.15** Remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of sub-regulation (1) of this regulation.
- 2.2.16** The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions: (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year

shall not exceed rupees one crore; (ii) the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation; (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification; (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation; (v) any other condition as specified by the audit committee: Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

2.2.17 The Company shall provide information as required by the SEBI circular with respect to Industry Standards on “Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions”.

2.2.18 Non – Applicability

The provisions mentioned under 2.1 and 2.2 of the policy will not be applicable to the following transactions:

- a) Transactions entered into two public sector companies;
- b) transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- c) transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- (d) transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand.
- (e) transactions entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand.

2.3 Related Party Transactions not approved under this policy

2.3.1 In case the Company becomes aware of any Related Party Transactions that have not be approved as per Para 2.1 and 2.2, of the Policy prior to their consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee may after considering all the relevant facts and circumstances regarding the Related Party Transaction, evaluate all options available, including ratification, revision or termination of Related Party Transaction and may take appropriate decision. The Audit Committee shall also examine the facts and circumstances pertaining to the

failure of reporting such related party transactions and shall take any such action as it deems appropriate.

2.3.2 In case the Audit Committee does not deem fit to ratify a Related Party Transaction under para 2.3.1 above, that has commenced without approval, the Audit 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 Audit Committee also have the authority to modify or waive any procedural requirement of the Related Party Transaction to suit the provision of this policy.

2.3.3 In other circumstances, the Audit Committee may recommend to the Board and the same shall be empowered to take decision in respect of such Related Party Transaction, as it may deem appropriate in the matter.

2.4 Method of determination of arm's length price

For the purpose of determining arms' length price, the below mentioned criteria may be considered:

- The transaction entered with the related parties are at such price and terms comparable with the price and terms of the identical or similar transaction with one or more unrelated parties.
- The existence of relationship between parties have not materially affected the transaction and its material terms and conditions.
- The transactions entered in accordance with the IRDAI regulations to provide/avail services to/from the related parties.
- Such other criteria or method as may be prescribed under any applicable Laws

3. Reporting

- Adequate disclosure of Material Related Party Transaction(s) with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- The Company shall disclose the Policy on dealing with Related Party Transactions on its website and also a web link thereto shall be provided in the Annual Report.
- The Company shall submit within 15 days from the date of publication of its financial results for the half year, disclosures of related party transactions in the format specified by SEBI to the stock exchanges and publish the same on its website. With effect from April 1, 2023 the Company shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results. Provided further that the remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require disclosure under this sub-

regulation provided that the same is not material in terms of the provisions of sub-regulation (1) of SEBI Listing Regulations, 2015.

- Any other reporting shall be done as prescribed in applicable regulation.

4. Record Keeping

All documents / records shall be preserved for a period as specified in the applicable regulations.

5. Appendices

5.1 Definition

5.1.1 “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 and as defined in Section 188 of the Companies Act, 2013.

5.1.2 “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.

5.1.3 “Audit Committee of Board” means a committee of Directors constituted in terms of Section 177 of the Companies Act, 2013 read with Rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014 and as per IRDAI (Corporate Governance for Insurers) Regulations, 2024.

5.1.4 “Board” or “Board of Directors”, in relation to a Company, means the collective body of the Directors of the Company.

5.1.5 “Control” means the right or the ability to appoint majority of the directors or to control the management or policy decisions of the target company, exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders’ agreements or voting agreements or in any other manner.

5.1.6 “Directors” means the Directors appointed to the Board of the Company.

5.1.7 “General Meeting” means and includes Annual General Meeting and/or Extraordinary General Meeting.

5.1.8 “Joint Venture” means a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

5.1.9 “Key Managerial Personnel” means the following whole-time key managerial personnel of the company:

- Managing Director & CEO

- Chief Financial Officer (CFO) and
- Company Secretary

5.1.10 “Material Related Party Transaction” as per Regulation 23 of the Listing Regulations means:

- (a) 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 rupees one thousand crore or ten per cent (or as per amendments in the regulations) of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower. a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

5.1.11 “Material Modifications” subsequent to entering into a contract or arrangement for a related party transaction, shall mean any modification in the basis of pricing of an existing related party transaction having variance of more than 25% of the existing approved limit.

Provided further that any modification to the transactions / agreements entered into in the ordinary course of business and on arm’s length basis at terms and conditions applied uniformly to all the parties (related and unrelated) shall be excluded from this definition.

5.1.12 “Related Party” with reference to company means related party as defined under section 2(76) of the Act read with Rule No. 3 of Companies (Specification of definitions details) Rules, 2014, Accounting Standard 18 (‘AS 18’) and Regulation 2(1)(zb) of the SEBI Listing Regulations and as may be amended from time to time.

Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
- (b) any person or any entity, holding equity shares:
- (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023;

in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.

5.1.13 “Relative” a person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:

5.1.14 As per 2(77) of the Companies Act and Rule 4 of Companies (specification of definitions details) Rules, 2014 i.e.

- Members of HUF
- Spouse
- Father (includes step-father)
- Mother (includes the step-mother)
- Son (includes the step-son)
- Son’s wife
- Daughter
- Daughter’s husband
- Brother (includes the step-brother)
- Sister (includes the step-sister)

5.1.15 “Related Party Transaction” means a transaction involving a transfer of resources, services or obligations between: (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or (ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, with effect from April 1, 2023; regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract:

Provided that the following shall not be a related party transaction:

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; (b) the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding: i. payment of dividend; ii. subdivision or consolidation of securities; iii. issuance of securities by way of a rights issue or a bonus issue; and iv. buy-back of securities. (c) acceptance of fixed deposits

by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board (d) acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time: Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon. (e) retail purchases from any listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors:

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

5.1.16 “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:

- controls the composition of the Board of Directors; or
- 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.

5.1.17 “The transactions in ordinary course of insurance business” means a transaction which is:

- entered into by the Company in the normal course of business in accordance with the main objects or object incidental to the main objects as envisaged in the Memorandum of Association (MOA) or
- in connection with the normal business carried on by the Company, or
- entered frequently over a period of time, or
- Standard practices, or
- permitted by IRDAI or any other law for the time being in force

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

- Sale of insurance policy
- Payment of commission and rewards and recognitions
- Payment of Insurance Policy Benefits/ Claims
- Bank Charges

- Payment of Royalty
- Payment of Dividend
- Payment of remuneration to MD/CEO/KMPs
- Investments transactions
- Rental income
- Reimbursement of expenses etc.

5.1.18 “Turnover” means the aggregate value of the realisation of amount made from sale, supply or distribution of goods or on account of services rendered, or both, by the company during a financial year. Accordingly, for the Company, the ‘turnover’ will be considered as the ‘Total Income’, i.e., gross premium income + other income.