



**kotak life**

**Process Assurance and Risk Management**

**Policy for dealing with Related Party Transactions**

**v. 5.2.1**

**Kotak Life Insurance**

**Policy for dealing with Related Party Transactions**

## Document Management

<b>Document Reference No.</b>		PARM/20-21/11		
<b>Document Issue Date</b>		29/04/2020		
<b>Process Owner</b>		Compliance Team		
<b>Particulars</b>	<b>Name</b>	<b>Section</b>	<b>Designation &amp; Department</b>	<b>Date</b>
Prepared by	Pallavi Kathal	Whole Document	AVP- Compliance	28/04/2020
Approved by	Audit Committee	Whole Document	-	29/04/2020

## Change Management

<u>Date</u>	<u>Version</u>	<u>Author</u>	<u>Section</u>	<u>Amendment</u>
July 28, 2015	1.1.1	Kaushal Bhute	Whole Document	Originally approved in the 81 <sup>st</sup> Board Meeting.
January 28, 2016	2.2.1	Kaushal Bhute	Section-3 1. Added definition of “Arms’ Length Transactions ” and “Ordinary Course of Business” 2. Addition of Annexure-2 for “Format of Omnibus Approval”.	Further amended in the 83 <sup>rd</sup> Board Meeting dated 28 <sup>th</sup> January, 2016, 26 <sup>th</sup> April, 2017 & 27 <sup>th</sup> April, 2018
July 18, 2018	3.2.1	Rahul Deshpande	Any body corporate which is - •a holding, subsidiary, joint venture or an associate of such company; or •a subsidiary of a	Amended in the Board Meeting dated 18 <sup>th</sup> July, 2018.

<u>Date</u>	<u>Version</u>	<u>Author</u>	<u>Section</u>	<u>Amendment</u>
			<p>holding company to which it is also a subsidiary; or</p> <ul style="list-style-type: none"> <li>•an investing company or the venturer of the company;</li> </ul> <p>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;</p> <ul style="list-style-type: none"> <li>•director or KMP of the holding company of such company or his relative</li> </ul>	
April 26,2019	4.2.1	Rahul Deshpande	Definition of Related Party — director (other than Independent Director) or KMP of the holding company of such company or his relative	Amended in the Board Meeting dated 26 <sup>th</sup> April, 2019.
April 29,2020	5.2.1	Pallavi Kathal	Definitions	Scope of “Ordinary course of business” increased.



Process Assurance and Risk Management

## Policy for dealing with Related Party Transactions

v. 5.2.1

<u>Date</u>	<u>Version</u>	<u>Author</u>	<u>Section</u>	<u>Amendment</u>
				Amended in the Board Meeting dated 29 <sup>th</sup> April, 2020.

*Table of content*

1.	<i>Preamble</i> .....	6
2.	<i>Purpose</i> .....	6
3.	<i>Definitions</i> .....	6
4.	<i>Policy</i> .....	8

### ***1. Preamble***

The Board of Directors (the Board) of Kotak Mahindra Life Insurance Company Ltd (KLI) has adopted the following policy and procedures with regard to related party transactions as defined below. The Audit Committee will review and may amend this policy from time to time.

This policy will be applicable to the Kotak Mahindra Life Insurance Company Ltd (KLI). This policy is to regulate transactions between the Kotak Mahindra Life Insurance Company Ltd and its related parties based on the applicable laws and regulations.

### ***2. Purpose***

This policy is framed as per requirement of the Companies Act, 2013 and is intended to ensure the proper approval and reporting of transactions between Kotak Mahindra Life Insurance Company Ltd and its related parties. Such transactions are appropriate only if they are in the best interest of KLI and its shareholders. KLI is required to disclose each year in its financial statements, transactions between KLI and related parties as well as its policy concerning transactions with related parties.

### ***3. Definitions***

- i) Audit Committee or Committee means Committee consisting of Board of Directors of the Company as per the provisions of the Companies Act, 2013 (the Act).
- ii) “Arm’s length transaction” means transaction between two related parties that is conducted as if the parties were unrelated.
- iii) Board means body of elected directors of the Company responsible for overseeing operations of the Company.
- iv) Control shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 which is as follows – —Control|| includes the right to appoint majority of the directors or to control the management or policy decisions 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.
- v) Key Managerial Personnel means key managerial personnel (KMP) as defined under the Act and includes
  - a. Managing Director, or Chief Executive Officer or manager and in their absence, a whole-

- time director;
- b. Company Secretary; and
- c. Chief Financial Officer
- vi) “Ordinary course of business” - The term ordinary course of business is not defined under the Act or rules made there under. For the purpose of this policy, the ordinary course of business will include the transactions undertaken
- in the normal course of insurance business as permitted by law / regulations.
  - as part of customary business practices or by its long standing conduct.
  - permitted by IRDAI or any other law for the time being in force.
  - The following are examples of related party transactions which are undertaken in the normal course of business by the company:
    - Insurance Premium
    - Investment income
    - Commission
    - Bank Charges
    - Shared Services with holding and fellow subsidiaries
    - Investment Transactions
    - KMP and Director payments
- vii) Policy means related party transaction policy.
- viii) Related party is defined under section 2(76) of the Act as:
1. director or his relative;
  2. Key Managerial Personnel or his relative;
  3. firm, in which a director, manager or his relative is a partner;
  4. private company in which a director or manager or his relative is a member or director;
  5. 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;
  6. any body corporate whose Board of Directors (BOD), managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager (except where provided in professional capacity);
  7. any person under whose advice, directions or instructions a director or manager is accustomed to act (except where provided in professional capacity);
  8. any body corporate which is -
    - a holding, subsidiary, joint venture or an associate of such company; or
    - a subsidiary of a holding company to which it is also a subsidiary; or
    - 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
- director (other than Independent Director) or KMP of the holding company of such company or his relative

- a related party as per accounting standard 18.

**Relative:**

Relative is defined under section 2(77) of the Act as below:

—Relative with reference to any person, means anyone who is related to another, if—

- they are members of a Hindu Undivided Family;
- they are husband and wife; or
- one person is related to the other in such manner as may be prescribed

Companies (Specification of definitions details) Rules, 2014 further expand the definition of a relative by specifying 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 –

- Father (includes step-father)
- Mother (includes step-mother)
- Son (includes the step-son)
- Son's wife
- Daughter
- Daughter's husband
- Brother (includes step-brother)
- Sister (includes step-sister)

**4. Policy**

All related party transactions must be reported to the Audit Committee and referred for approval to the Committee in accordance with this Policy.

**4.1 Identification of Potential Related Party Transactions**

KLI has made a list of related parties after considering the requirements and based on the annual declaration received from individuals like directors and KMP. The directors and KMP's are also required to inform the KLI of any changes to such declaration during the year.

**4.2 Prohibitions related to Related Party Transactions**

4.2.1 Section 177 of the Act requires the Audit committee of a company to approve all related party transactions. Considering that frequency of such transactions is too high, the Committee may look at the nature of these transactions and give an omnibus approval specifying the terms like name, nature, indicative price, maximum amount, period of the transaction and subject to such modifications as it deems fit.. Such omnibus approval will be valid for a period of one year and a fresh approval shall be taken for every financial year.

As per section 188 of the Act, the consent of the Board/Shareholders' approval is required, by a special resolution or in a general meeting, for entering into the specified transactions with a



related party, if they are not in ordinary course of business of the Company or at arm's length and exceeds the threshold limits as specified in the Act.

4.2.2 Where the need for a related party transaction cannot be foreseen and aforesaid details are not available, prior approval of Audit Committee will not be required for such transaction subject to its value not exceeding Rs 1 crore per transaction. All such transactions will be placed in the Audit Committee Meeting immediately following after such transaction has been done.

4.2.3 A preference will be given to the group entities for the products offered by them in ordinary course of business, subject to transaction being on arm's length.

**4.3 Review and Approval of Related Party Transactions** All related party transactions will be placed before the Audit Committee for its review and approval subject to 4.2 above.

Any member of the Committee who is a related party will recuse himself or herself and refrain from discussion and voting on the approval of the related party transaction.

To review a related party transaction, the Committee will be provided with relevant information of the related party transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the KLI, arm's length principles and any other relevant matters.

In determining whether to approve a related party transaction, the Committee will consider the following factors, among others, to the extent relevant to the related party transaction:

- The fairness and arm's length or otherwise of the related party transaction after applying the same basis as if the transaction did not involve a related party;
- The business reasons for the KLI to enter into the related party transaction and the nature of alternative transactions, if any;
- Impact on independence of an independent director of related party transaction;
- Any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- Whether the related party transaction would present an improper conflict of interest for any director or KMP of the KLI, taking into account the size of the transaction, the overall financial position of the director or other related party, the direct or indirect nature of the director's, KMP's or other related party's interest in the transaction and the on-going nature of any proposed relationship and any other factors the Board/Committee deems relevant.

i. Any transaction that involves the providing of compensation to a director or KMP in connection with his or her duties to KLI, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business. This will be dealt with by the Nomination and Remuneration Committee.

ii. Any transaction in which the related party's interest arises solely from ownership of securities issued by the KLI and all holders of such securities receive the same benefits pro rata as the related party.

All related party transactions, including the above and those under the omnibus approval, will be placed before the Audit Committee at least on quarterly basis.

#### **4.4 Related Party Transactions not approved under this Policy**

A related party transaction entered into without approval of the Committee shall be brought to the Committee as promptly as reasonably practical after it is entered into.

The above policy will be modified to be in line with regulations including the Act and guidelines issued by IRDAI in this regard.