

Go Digit General Insurance Limited
Policy on Related Party Transactions

The Companies Act, 2013, as amended (**the Act**) requires the Board to approve the criteria for making the omnibus approval of related party transaction by the Audit Committee. Further, Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended ("**Listing Regulations**") has also introduced certain approval requirements regarding the related party transactions. Regulation 23 of Listing Regulations requires listed companies to formulate a policy on materiality of related party transactions and on dealing with related party transactions. Accordingly, in compliance with the provisions of the IRDAI Master Circular on Corporate Governance, the Act and Listing Regulations, on recommendations of the audit committee of Go Digit General Insurance Limited ("**Digit**" or "**Company**"), the board of directors of the Company ("**Board of Directors**" or "**Board**") has adopted this Policy on Materiality and Dealing with Related Party Transactions (the "**Policy**").

I. Definitions

Capitalized words and expressions used and not defined in this Policy shall have the same meanings assigned to them under the Act or Listing Regulations or Indian Accounting Standards or any other relevant legislation / law applicable to the Company, as the context may require. If the terms of the Policy differ from any existing or enacted law(s), rule(s), regulation(s) governing the Company, then such law(s), rule(s) or regulation(s) shall prevail over this Policy.

In case of any dispute or difference upon the meaning/interpretation of any provision in the Policy, the same shall be referred to the Audit Committee of the Company and the decision of the Audit Committee in such a case shall be final. In interpreting such term / provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.

"Related Party" means a person or an entity defined as related party under Section 2(76) of the Act, Regulation 2(1)(zb) of the Listing Regulations or under the applicable accounting standards and includes subsidiary, associate, joint ventures, key managerial personnel and their Relatives, directors and their Relatives, promoter and promoter group entities.

"Related Party Transaction" shall have the same meaning ascribed to such term in the Act and the Listing Regulations.

"Relative" shall have the meaning ascribed to such term under the Act.

"Material Related Party Transactions" means a transaction with a Related Party, where the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds the following:

Consolidated Turnover of the Company Threshold	Threshold
(I) Up to Rs. 20,000 Crore	10% of the annual consolidated turnover of the listed entity
(II) More than Rs. 20,000 Crore to upto Rs. 40,000 Crore	Rs. 2,000 Crore + 5% of the annual consolidated turnover of the listed entity above Rs. 20,000 Crore
(III) More than Rs. 40,000 Crore	Rs. 3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above Rs. 40,000 Crore or Rs. 5000 Crores, whichever is lower.

Notwithstanding the above, 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 consolidated audited financial statements of the Company

Turnover

“Turnover” means the GWP of the Company

Ordinary Course of Business

“**Ordinary course of business**” includes but not limited to a term for activities that are necessary, normal, and incidental to the business. These are common practices and customs of commercial transactions. The ordinary course of business 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 normal or otherwise unremarkable for the business.
- ii. The transaction is frequent/regular.
- iii. The transaction is a source of income for the business.
- iv. Transactions that are part of the standard industry practice, even though Company may not have done it in the past.
- v. These are not exhaustive criteria and the Company will have to assess each transaction considering its specific nature and circumstances.

II. Transactions in the ordinary course of the insurance business

Considering the nature of business and industry in which the Company functions, an indicative list of transactions that may be entered by the Company with its related Parties is given in hereunder. These are the usual transactions related to business.

- a) Insurance premium paid / received
- b) Claims paid / received
- c) Commission payment
- d) Reinsurance premium payment, reinsurance commission and claims acceptance
- e) Purchase/sale of investments
- f) Expenses towards infrastructure and services sharing payment and reimbursement of, payment for outsourced personnel
- g) Remuneration to Key Managerial Persons (KMPs)

III. Method of determination of arm's length price

The Act does not define "arm's length price" but only lays emphasis on transaction with related parties on "arm's length basis" and defines the term "arm's length transaction", i.e., a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest". Therefore, any of the following approach may be adopted for arriving at the arm's length price for a related party transaction, depending upon the nature of the transaction:

- (a) Where the transactions with related parties are in the nature of transactions such as insurance premium or commission or reinsurance arrangements or investment transactions or managerial remuneration or outsourcing to related parties, for which specific regulations or guidelines have been notified, compliance with the respective regulations or guidelines shall be ensured to arrive at the arm's length price.
- (b) Premium payment or claims payment shall be as per F&U guidelines & Underwriting guidelines of the Company and the independent survey report, as may be applicable.
- (c) in the absence of any specific regulation Comparative price for similar transactions with independent parties could be considered for determining "arm's length price". Comparable Industry or market trend may be considered under this approach for determining arm's length price or a guidance can be taken from applicable laws, like Income Tax Act, 1961 and Rules made thereunder, transfer pricing provisions / study etc.
- (d) Any other prevalent generally accepted method.

IV. Identification

- (a) Every director and key managerial personnel of the Company shall, at the time of appointment, annually and whenever there is any change in the information already submitted, provide requisite information about all persons, firms, entities in which he is interested whether directly or indirectly, to the company secretary.
- (b) On the basis of the above referred information received and basis the Act and the Listing Regulations, a consolidated list of Related Parties shall be prepared.

V. Approval of Related Party Transactions

All the Related Party Transactions of the Company shall be dealt with in accordance with the Act, the Listing Regulations, the Guidelines and other provisions applicable to the Company from time to time.

A. Audit Committee:

All Related Party Transactions and subsequent material modifications, as defined by the Audit Committee and disclosed in this policy should be pre-approved by the Audit Committee of the Company before entering into such transaction. The Audit Committee shall consider all relevant factors while deliberating the related party transactions for its approval. In case the Audit Committee does not approve a transaction, it may make appropriate recommendations to the Board.

- (a) Any member of the Audit Committee who has a potential interest in any Related Party Transaction will recuse himself/herself and abstain from discussion and voting on the approval of the Related Party Transaction. Further, only those members of the Audit Committee, who are independent directors, shall approve Related Party Transactions. A Related Party Transaction which is: (i) not in the Ordinary Course of Business, or (ii) not at arm's length price, would require approval of the Board of Directors or of shareholders of the Company, as mentioned subsequently.
- (b) All Related Party Transactions above Rs. 1 Crore where subsidiary of the Company is a party but the Company is not a party and the value of the transaction (whether entered into individually or taken together with previous transactions during a financial year) exceeds 10% of the annual standalone turnover of the subsidiary, as per the last audited financial statements of the subsidiary / 10% of the aggregate value of paid-up share capital and securities premium account of the subsidiary (If audited financial statement are not available) or threshold for material related party transactions as defined in these policy whichever is lower, shall require prior approval of Audit Committee.
- (c) Prior approval of the Audit Committee shall not be required for:
 - (i) such Related Party Transactions where the listed subsidiary is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary; and
 - (ii) such Related Party Transactions of unlisted subsidiaries of the Company, where the prior approval of the audit committee of the listed subsidiary has been obtained.
 - (iii) remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group provided that the same is not material in terms of the provisions of the Listing Regulations.
- (d) These provisions shall not apply to transactions, other than transactions referred to in Section 188 of the Act, entered into by the Company with its wholly owned subsidiaries or between two wholly-owned subsidiaries of the Company, in each case whose accounts are consolidated with the Company and placed before the shareholders of the Company at the general meeting for approval, 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) The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the criteria/conditions as required under Regulation 23 of

Listing Regulations and Companies (Meetings of Board and its Powers) rules, 2014 as amended 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 a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year. The Audit Committee shall consider the repetitiveness of transactions with the Related Parties (in past or in future) and the specific need for such omnibus approval (i.e., the transactions being in the best interest of the Company).

- (f) The criteria for granting the omnibus approval shall include the following, namely:
- (i) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - (ii) the maximum value per transaction which can be allowed;

The details for point (i) and (ii) may be determined at the Audit Committee meeting approving the transactions for each year. Any deviation from the same will be ratified in the subsequent Audit Committee meeting along with the rationale for such deviation.

- (iii) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;

This shall include:

- 1. name of the related parties;
- 2. nature and duration of the transaction;
- 3. maximum amount of transaction that can be entered into;
- 4. the indicative base price or current contracted price and the formula for variation in the price, if any; and
- 5. any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

- (iv) review, at such intervals as the Audit Committee may deem fit, Related Party Transaction entered into by the company pursuant to each of the omnibus approval made;
 - (v) transactions which cannot be subject to the omnibus approval by the Audit Committee, such as omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- (g) Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to the omnibus approval. In connection with any review of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

- (h) Prior approval for a Related Party Transaction of the Company, not covered under omnibus approval, will be obtained from the Audit Committee. A Related Party Transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for ratification.
- (i) A Transaction not covered under the omnibus approval, 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 Listing Regulations;
 - (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 Listing Regulations;
 - (v) any other condition as specified by the audit committee:

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 Company against any loss incurred by it

B. Board of Directors

In case any Related Party Transactions are referred by the Company to the Board for its approval due to the transaction being: (i) not in the Ordinary Course of Business, or (ii) not at an arm's length price, or (iii) a transaction not approved but recommended by the Audit Committee, or (iv) where it is mandatory under any law for the Board to approve the Related Party Transactions, the Board will consider factors such 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. Any member of the Board, who has any potential interest in any Related Party Transaction will recuse himself/herself and abstain from discussion and voting on the approval of the Related Party Transaction.

C. Shareholders

- (a) Material Related Party Transaction or subsequent material modifications thereto shall require prior approval of the shareholders of the Company through resolution and no Related Parties will vote to approve such resolutions, irrespective of the entity being a Related Party to the particular transaction.
- (b) If a Related Party Transaction entered by the Company, is not in the Ordinary Course of Business, or not at arm's length price and exceeds the thresholds prescribed under the Act, it shall require shareholders' approval by a resolution. In such a case, any member who is a Related Party having interest in the transaction for which resolution being proposed, shall not vote on such resolution passed for approving Related Party Transaction.

- (c) Approval of shareholders of the Company shall not be required for:
 - (i) transactions entered into with wholly owned subsidiaries or between two wholly owned subsidiaries of the Company, in each case whose accounts are consolidated with the Company and placed before the shareholders of the Company at the general meeting for approval.
 - (ii) transactions in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved.
 - (iii) transactions where the listed subsidiary of the Company is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.
 - (iv) Related Party Transactions of unlisted subsidiaries of the Company, where the prior approval of the shareholders of the listed subsidiary is obtained.

VI. Material Modification to Related Party Transactions

- (a) With respect to Related Party Transactions approved by the Audit Committee, any modification would be considered to be a 'material modification' requiring approval of the Audit Committee, except where the change is necessary to keep the price at arm's length or for compliance with provision of any applicable law.
 - (i) Any modification in a Material Related Party Transaction approved by shareholders shall be considered to be a 'material modification' requiring approval of the shareholders to such modification under the following circumstances:
 - (ii) Change in the parties interested in the concerned Related Party Transaction or change in shareholding of the Related Party amounting to creation of direct /indirect interest of another Related Party. However, any change which is part of internal group restructuring, such a way that there is no change in ultimate beneficial owner of the Related Party, shall not be considered as material modification.
 - (iii) Any change in price by more than 25% shall be considered material. Any price adjustment that is necessary for meeting arm's length criteria shall not be considered as material modification.
 - (iv) As regards transactions with promoters/directors/their Relatives/entities under their control, any change in principal terms approved by shareholders shall be considered to be a material change.
 - (v) Extension of period of Related Party Transactions by more than 6 months than the original tenure, provided however that extension up to 6 months, shall be on the same lines as the existing price/terms of the transaction/s approved by the shareholders.

VII. Reporting of Related Party Transactions

The Act, Accounting Standard 18 and Regulation 23 of the Listing Regulations place the following reporting requirements on an entity, which shall be duly complied with by the Company:

- (a) Minimum Information as specified in the Industry Standards issued by the Industry Standards Forum to be placed before the Audit Committee for review and approval of a Related Party Transaction.
- (b) A note on transactions with Related Parties, to be placed at the Audit Committee every quarter for its review, in compliance with the requirements of sections 177 and 188 of the Act.
- (c) Disclosure of Related Parties and transaction with Related Parties as per AS 18 in the notes to account forming part of the financials of the Company.
- (d) Every contract or arrangement, which is required to be approved by the Board/shareholders under

this Policy, to be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

- (e) The disclosure as may be prescribed in the corporate governance reports on Related Parties which are required to be submitted to the stock exchanges on a quarterly basis.
- (f) The disclosure of Related Party Transactions shall be submitted to the stock exchanges on a half-yearly basis in format specified by SEBI from time to time and publish the same on its website within the timeline prescribed in Listing Regulations.
- (g) Disclosure of transactions with any person or entity belonging to the promoter/promoter group of the Company and having shareholding of 10% or more in the Company in the annual report.
- (h) The review of Related Party Transactions shall be carried out by an independent external consultant once in a block of three years and the report will be placed before the Audit Committee.
- (i) This Policy shall be disclosed on the website of the Company and a web link to the policy shall be provided in the Annual Report.

VIII. Review

- (1) This Policy will be reviewed annually by the Board. Any modifications or improvements will be accordingly incorporated in the Policy.
- (2) Notwithstanding the foregoing, the Managing Director & Chief Executive Officer is authorised to make appropriate changes in the policy as she/he may deem expedient taking into account the law for the time being force. Such modifications shall be reported to the Board for ratification.
- (3) Any changes in the applicable mandatory regulatory provisions shall automatically be treated as part of this Policy.

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