

POLICY ON RELATED PARTY TRANSACTIONS- Ver 1.2

Document Summary

Document Name	Policy on Related party transaction
Current Version	1.2
Approved by & Date	Board, 23 rd May 2021

Revision History

Version No.	Date	Description	Author	Reviewed by	Approved by
1.0	10-Aug-2016	Policy on Related Party transaction	Secretarial Dept	Audit Committee	Board
1.1	10-Nov-2020	Inclusion of E&Y observations on the policy	Secretarial Dept	Audit Committee	Board
1.2	23-May-2021	Inclusion of Definition and Omnibus Approval and Disclosures	Secretarial Dept	Audit Committee	Board

STAR HEALTH AND ALLIED INSURANCE COMPANY LIMITED

#1 NEW TANK STREET, NUNGAMBAKKAM, CHENNAI-34.

CIN U66010TN2005PLC056649 IRDA REGN. NO.129

Telephone: 044-2828 8800 Website:-starhealth.in

1) PREAMBLE

The Companies Act 2013 read with the Companies (Meetings of Board and its Powers) Rules 2014 has specific provisions relating to related party transactions specifying the financial limits and process of approving the transactions.

In addition, Insurance Regulatory and Development Authority of India (IRDAI) vide Corporate Governance Guidelines 2016 requires all Insurance Companies to formulate a policy on related party transactions to regulate transactions between the Company and its related parties

Further, Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 as amended by the LODR Amendment Regulation, 2018 have prescribed certain approval requirements regarding material related party transactions and have covered the threshold limits of a material related party transaction, including therein the requirement of having clear threshold limits, duly approved by the board of directors.

2) APPLICABILITY

This policy shall apply to all transactions between the Company and its related parties.

3) DEFINITIONS

- a) **Act** shall mean Companies Act 2013
- b) **Accounting Standards** shall mean the Accounting Standards issued by Institute of Chartered Accountants of India
- c) **Arm's Length Transaction ('ALP')** shall mean a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.

The determination of arm's length price may be carried out by an effective approach of comparison with pricing of transactions with independent parties which may involve comparison of the terms a) with those of an identical/similar transaction with one or more unrelated parties or b) with known market terms for identical/similar transactions

- d) **CG Guidelines 2016** shall mean Corporate Governance Guidelines 2016 issued by IRDAI in May 2016
- e) **IRDAI** shall mean Insurance Regulatory and Development Authority of India
- f) **Material Related Party Transactions** shall mean a transaction with a related party if a transaction/transactions to be entered into individually or taken together with previous

STAR HEALTH AND ALLIED INSURANCE COMPANY LIMITED
#1 NEW TANK STREET, NUNGAMBAKKAM, CHENNAI-34.
CIN U66010TN2005PLC056649 IRDA REGN. NO.129
Telephone: 044-2828 8800 Website:-starhealth.in

transactions during a financial year, exceed ten percent of the turnover of the Company as per the last audited financial statements of the Company.

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 turnover of the Company as per the last audited financial statements of the Company.

- g) **Ordinary Course of Business ('OCB')** shall mean a transaction which is:
- carried out in the normal course of business envisaged in accordance with the Memorandum of Association ('MoA') of the Company as amended from time to time, or
 - in connection with the normal business carried on by the Company, or
 - 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, or
 - common commercial practice, or
 - Meets any other parameters / criteria as decided by the Board/Audit Committee.

Example- issuance of policies, printing, dispatch of policies, collection of premium, distribution arrangement like corporate agency, broking etc.

- h) **Policy** shall mean Related Transactions Policy
- i) **Relative** in relation to a related party shall have the same meaning assigned to in Section 2(77) of the Act.
- j) **Related Party**, shall have the same meaning as defined under Section 2(76) of the Act

Reference and reliance may be placed on the clarification issued by the Ministry of the Corporate Affairs and IRDAI and other Authorities from time to time on the interpretation of the term "Related Party".

- k) **Related Party Transactions** shall mean a transaction with a related party - as envisaged in Section 188(1) of the Act as given below
- sale, purchase or supply of any goods or materials;
 - selling or otherwise disposing of, or buying, property of any kind;
 - leasing of property of any kind;
 - availing or rendering of any services;
 - appointment of any agent for purchase or sale of goods, materials, services or property;

STAR HEALTH AND ALLIED INSURANCE COMPANY LIMITED

#1 NEW TANK STREET, NUNGAMBAKKAM, CHENNAI-34.

CIN U66010TN2005PLC056649 IRDA REGN. NO.129

Telephone: 044-2828 8800 Website:-starhealth.in

- such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- underwriting the subscription of any securities or derivatives thereof of the Company.

l) **Rules** shall mean Companies (Meetings of Board and its Powers) Rules 2014

m) **Transaction** shall mean a single transaction or a group of transactions

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013 or any other applicable law or regulation.

n) Turnover has been defined as the aggregate value of the realization 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' is considered as the Total Income i.e. the total of Gross Written Premium.

6) PROCESS FLOW FOR RELATED PARTY TRANSACTIONS

a) Identification of related parties:

The Company shall maintain a list of related parties based on the disclosures made by the Directors.

b) Identification of related party transactions:

The Company shall prior to entering into a transaction shall verify whether the party involved includes any related party forming part of the list maintained by it.

c) Procedure for approval of related party transactions

I. Approval of the Audit Committee

- Every related party transaction is subject to the prior approval of the Audit Committee, whether at a meeting or resolution by circulation or any other manner as prescribed under the Act and rules made thereunder read with the Secretarial Standards issued by ICSI.
- The Audit Committee may grant omnibus approval for related party transactions which are recurring in nature subject to the conditions prescribed under the Act, rules, IRDAI Corporate Governance Guidelines 2016 as amended from time to time. Such omnibus

STAR HEALTH AND ALLIED INSURANCE COMPANY LIMITED

#1 NEW TANK STREET, NUNGAMBAKKAM, CHENNAI-34.

CIN U66010TN2005PLC056649 IRDA REGN. NO.129

Telephone: 044-2828 8800 Website:-starhealth.in

approvals shall be valid for a period for a period not exceeding one financial year and shall require a fresh approval after expiry of such financial year.’

- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- The omnibus approval shall specify :
 - (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,
 - (ii) the indicative base price / current contracted price and the formula for variation in the price if any; and
 - (iii) such other conditions as the audit committee may deem fit:
- Where the need for related party transactions cannot be foreseen and the aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding ₹ 1 crore per transaction.
- The maximum value of the transactions, in aggregate, which shall be allowed under omnibus route in a year will be 10 % of the annual turnover of the Company.
- Omnibus approval may be granted by Audit Committee for related party transaction as per Annexure A
- The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approval given;
- Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

II. Approval of the Board of Directors of the Company

The Board shall approve all related party transaction as are required to be approved under the Act and rules.

In addition to the above, the following kinds of transactions with related parties shall also be placed before the Board for its approval:

- Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm’s length basis and decides to refer the same to the Board for approval;
- Transactions which are in the ordinary course of business and at arm’s length basis, but which in Audit Committee’s view requires Board approval.

STAR HEALTH AND ALLIED INSURANCE COMPANY LIMITED

#1 NEW TANK STREET, NUNGAMBAKKAM, CHENNAI-34.

CIN U66010TN2005PLC056649 IRDA REGN. NO.129

Telephone: 044-2828 8800 Website:-starhealth.in

- Transactions that exceed the materiality thresholds as defined in the policy.

III. Approval of the Shareholders of the Company

If a related party transaction is a material related party transactions as per Regulation 23, it shall require shareholder's approval through resolution and no related parties shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business or not at arm's length basis; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

7) DISCLOSURES

The Company shall disclose, in the Board's report, all transactions with related parties as envisaged in Section 188 of the Act and in the Notes forming part of Accounts as required under the relevant Accounting standards.

The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website

8) RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting under Section 188(1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a 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.

9) REVIEW AND AMENDMENTS:

The Board shall review the policy on an annual basis and shall amend the same whenever necessary.

STAR HEALTH AND ALLIED INSURANCE COMPANY LIMITED

#1 NEW TANK STREET, NUNGAMBAKKAM, CHENNAI-34.

CIN U66010TN2005PLC056649 IRDA REGN. NO.129

Telephone: 044-2828 8800 Website:-starhealth.in

Annexure A**Omnibus approval by Audit Committee**

The following table lists various types of transactions undertaken by the Company with related parties, along with the basis of pricing and the arm's length criteria, for omnibus approval of the Committee. The duration of the transaction may vary depending upon the nature of the transaction.

Sr. No.	Nature of transactions	Name of related party	Indicative base price/current contracted price and the formula for variation in the price	Arm's length basis
1	Insurance Services : Insurance Premium	All related parties as defined under Sec 2(76) of the Companies Act 2013	As per underwriting policy of the Company	As per underwriting policy of the Company
2	Insurance Services : Claims paid	All related parties as defined under Sec 2(76) of the Companies Act 2013	Claims are settled on the basis of the policy terms & conditions.	Claims are settled on the basis of Claim documents submitted by hospitals/insured.
3	Commission/Brokerage	All related parties as defined under Sec 2(76) of the Companies Act 2013	As per the rates prescribed by IRDAI	As per the rates prescribed by IRDAI
4	Establishment, and other expenditures including reimbursements.	All related parties as defined under Sec 2(76) of the Companies Act 2013	As per comparative market price basis	As per comparative market price basis
5	Dealings in investment securities, including purchase/sale of securities and brokerage relating to investment including placement of fixed deposits.	All related parties as defined under Sec 2(76) of the Companies Act 2013	As per the Investment Policy of the Company based on prevailing market rates	As per the Investment Policy of the Company based on prevailing market rates