

## **REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS AND MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER/WHOLE-TIME DIRECTORS**

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### **1. INTRODUCTION AND APPLICABILITY**

Pursuant to Section 178 of the Companies Act, 2013 read with applicable rules thereto, Guidelines on Corporate Governance issued by Insurance Regulatory Development Authority of India (“IRDAI Corporate Governance Guidelines”), Guidelines on Remuneration of Non-executive Directors and Managing Director/Chief Executive Officer/Whole time Directors prescribed by IRDAI on August 05, 2016 as amended modified or replaced from time to time (“IRDAI Remuneration Guidelines”), and applicable provisions, the Company is required to adopt a Remuneration Policy for the Non-executive Directors and Managing Director /Chief Executive Officer/Whole-time Directors.

This policy on Remuneration of Non-executive Directors and Managing Director/Chief Executive Officer/Whole-time Directors of the Company has accordingly been formulated in accordance with the provisions of the Companies Act, 2013 and the said Guidelines.

The said policy shall supersede all the previous policies relating to the payment of remuneration to Non-executive Directors and Managing Director/Chief Executive Officer/Whole-time Directors to the extent applicable.

### **2. OBJECTIVE**

The overall objectives for laying down the Remuneration Policy for CEO & WTDs is to offer compensation systems that make it possible to attract, retain and motivate the most outstanding professionals in order to enable the organization to attain its strategic objectives and sustainable growth within the increasingly competitive context in which it operates. Further, the remuneration system would continue be in line with the various regulatory frameworks existing in the Insurance environment. Also, going forward, the compensation system for Non-Executive Directors, MD & CEO and WTDs would be aligned to the IRDAI’s guidelines for sound compensation practices and would address the general principles of:

- Effective and independent governance and monitoring of compensation
- Alignment of compensation with prudent risk-taking through well designed and consistent compensation structures
- Clear and timely disclosure to facilitate supervisory oversight by all stakeholders

Accordingly, the Remuneration Policy seeks to:

- a) Ensure that the compensation, in terms of structure and total amount, is in line with the best practices, as well as competitive vis-à-vis that of peer companies
- b) Establish the linkage of compensation with individual performance as well as achievement of the corporate objectives of the company
- c) Include a significant variable pay component tied to the achievement of pre-established objectives in line with company’s / MD & CEO’s scorecard while ensuring that the compensation is aligned with prudent risk taking
- d) Encourage attainment of long term shareholder returns through inclusion of equity linked long-term incentives as part of compensation

### **3. PAYMENT OF REMUNERATION TO NON-EXECUTIVE DIRECTORS**

- i. The Non-Executive/Independent Directors may be paid Sitting fees (for attending the meetings of the Board and of Committees of which they may be members) and such other remuneration within regulatory limits. Quantum of sitting fees may be subject to review on a periodic basis, as required. Within the parameters prescribed by law, the payment of sitting fees and remuneration will be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors.
- ii. The Non-executive/Independent Directors of the Company may be paid a remuneration (excluding remuneration for attending meetings as prescribed under Section 197 (5) of the Companies Act, 2013, read with Schedule V to the said Act, subject to compliance with IRDAI Remuneration Guidelines and approvals, if any, required. The remuneration may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors or Shareholders in the EGM/AGM, as required under the Companies Act, 2013.
- iii. An Independent Director shall not be eligible to participate in any share based payment schemes of the Company.
- iv. Any remuneration paid to Non- Executive Director for services rendered which are of professional in nature shall not be considered as part of the remuneration for the purposes of clause (ii) above if the following conditions are satisfied:
  - the services are rendered by such Director in his capacity as the professional; and
  - in the opinion of the Committee, the director possesses the requisite qualification for the practice of that profession.

### **4. PAYMENT OF REMUNERATION FOR MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER/WHOLE-TIME DIRECTORS**

The remuneration to be paid to the Managing Director/Chief Executive Officer/Whole Time Directors shall be based and determined on the individual person's responsibilities and performance and in accordance with the statutory limits, if any.

The Board shall in consultation with Nomination & Remuneration Committee determine individual remuneration packages for Managing Director/Chief Executive Officer/Whole Time Directors of the Company taking into account factors it deems relevant, including but not limited to market, business performance and practices in comparable companies, having due regard to financial and commercial health of the Company as well as prevailing laws and government/other guidelines. The Committee may consult the Chairman of the Board in appropriate cases if it deems necessary.

While the remuneration is determined by the Board of Directors based on the recommendations of the Nomination & Remuneration Committee, remuneration beyond Rs.1.50 crore shall be debited to the Shareholders' account.

No revision in remuneration shall be permitted till the expiry of one year from the date of earlier approval.

No remuneration shall be paid to Managing Director / Chief Executive Officer / Whole-time Directors by any promoter / investor or by the group Companies of the Promoters / Investors Companies.

The remuneration to be paid to the Managing Director/Chief Executive Officer/Whole-time Directors shall not have any effect unless the Company has obtained prior approval of the Authority.

## **5. REMUNERATION STRUCTURE OF MANAGING DIRECTOR / CHIEF EXECUTIVE OFFICER / WHOLETEIME DIRECTORS**

The remuneration structure of Managing Director/Chief Executive Officer/Whole-time Directors Shall include the following components:

- A. **Fixed Pay:** Fixed Pay will comprise of Basic Salary and Allowances. The Fixed Pay revision will be carried out on an annual basis as per the recommendation of the NRC and approval from the Board and the Authority.
- B. **Benefits / Perquisites:** It may comprise of retiral benefits of Provident Fund, Gratuity, and Superannuation and perquisites provided by the company which may include Company owned/leased Car with Chauffeur, club membership and such other perquisites as the Nomination and Remuneration Committee may decide from time to time. The limit to the perquisites will be finalised by the Board depending on the market benchmarking and industry practices.
- C. **Annual Bonus:** The maximum annual bonus to be paid shall be 50% of the total pay.
- D. **Long Term Deferred Compensation:** in order to align the overall compensation with long term performance of the company the NRC and the Board at its sole discretion may approve one or combination of the following plans
  - a. Long Term Incentive Plan
  - b. Stock Appreciation Rights
  - c. ESOP

Following parameters shall be taken into consideration while structuring the Annual Bonus and Long Term Deferred Compensation:-

- 1. Remuneration is adjusted for all types of risk
- 2. Remuneration outcomes are symmetric with risk outcomes, and
- 3. Remuneration payouts are sensitive to the time horizon of the risk
- 4. The mix of cash, equity and other forms of remuneration must be consistent with risk alignment
- 5. Credit, Market and Liquidity risks

Among other things, the following parameters may also be considered by the Nomination and Remuneration Committee:

- 1. Persistency
- 2. Solvency

3. Grievance Redressal
4. Expenses of Management
5. Claim settlement
6. Claim repudiations
7. Overall Compliance status
8. Overall financial position such as Net-Worth Position of Insurer, Asset under Management (AUM) etc.

## **6. COMPOSITION OF REMUNERATION PACKAGE OF THE MD/ CEO/WTDs**

Fixed Pay shall be determined based on the parameters specified in section 5 above. While designing the remuneration arrangements it should be ensured that there is a proper balance between fixed pay and variable pay.

The variable pay could be in cash, stock linked instruments or mix of both. There shall be proper balance between the cash and stock/share components in the variable pay. However, Employees Stock Option Plan (ESOP) would be excluded from components of variable pay.

The deterioration in the financial performance of the Insurer and the other parameters specified at section 5 shall be considered in arriving at the total amount of variable remuneration paid.

The maximum annual bonus to be paid to the CEO shall be 50% of the Total Pay. If the variable pay exceeds 50% of Total pay, 40% of the variable pay to be deferred proportionately over a period of three years

For the purpose of the above clause, Total pay means Fixed pay plus Variable Pay. Further, Variable Pay includes Annual Performance Bonus and any other Long Term Incentive Plans, but excluding Employees Stock Option Scheme.

## **7. CLAWBACK**

The “unvested portion” or the “vested but not-paid” portion of the “Long Term Deferred Compensation” can be clawed back. The claw back provision shall be decided by the Nomination and Remuneration Committee and the Board.

The claw back system shall be driven by observable and verifiable measures of risk outcomes specified in section 5.

## **8. GUARANTEED BONUS**

Guaranteed bonuses are not part of remuneration plan for CEO & WTDs. Joining / sign on bonus may be granted only in the context of hiring and will be limited to the first year, in the form of ESOPs only.

## **9. SEVERENCE PAY**

The severance pay other than accrued benefits (gratuity, pension, etc.) should not be granted to MD/ CEO/WTDs without the prior approval of the Board or in cases where it is mandatory by any statute.

## **10. DISCLOSURE AND ENGAGEMENT BY STAKEHOLDERS**

The following disclosures will be mandated by the company in its Annual Report;

### **Qualitative**

1. Information relating to the design and structure of remuneration processes and the key features and objective of remuneration policy
2. Description of the ways in which current and future risks are taken into account in the remuneration processes.
3. Description of the ways in which the insurer seeks to link performance during a performance measurement period with levels of remuneration.
4. It shall further be ensured that complete details of the compensation package drawn by the MD & CEO of the Company shall be disclosed in the Notes of the Accounts which form part of the financial statements of the Company.

### **Quantitative: The following quantitative disclosures shall be made in Annual Report of the Company:**

1. Number of MD/ CEO/ WTDs having received a variable remuneration award during the financial year
2. Number and total amount of sign on awards made during the financial year
3. Details of guaranteed bonus, if any, paid as joining / signing bonus
4. Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms.
5. Total amount of deferred remuneration paid out in the financial year
6. Breakup of amount of remuneration awarded for the financial year to show fixed and variable, deferred and non-deferred.

## **11. RENEWAL OF COMPENSATION FOR MD & CEO and WTDs**

The MD/CEO & WTDs will be eligible for annual revision in compensation subject to approval of IRDAI and the Board of Directors.