

## **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 Remuneration of Non-executive Directors and Managing Director/Chief Executive Officer/Whole time Directors prescribed by IRDAI on August 05, 2016, 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**

#### **3.1 REMUNERATION IN THE FORM OF COMMISSION**

The Board shall in consultation with the Nomination and Remuneration Committee decide to pay remuneration in the form of profit related commission to the Non-executive Directors, subject to the Company making profits and shall be in compliance with the provisions of the Companies Act, 2013 and rules thereof.

However in no case the remuneration, shall exceed INR Ten lakh per annum for each such Director.

#### **3.2 SITTING FEES AND REIMBURSEMENT OF EXPENSES**

The Non-Executive Director would be entitled to sitting fees for attending the meetings of the Board and the Committees as applicable. The sitting fees will be within the limits prescribed by the Companies Act, 2013. They would also be entitled to reimbursement of such fair and reasonable expenditure, as may have be incurred by them for performing duties as Non-Executive Director of the Company.

The Sitting fees that would be paid for attending Board/Committee Meeting are:

| <b>Sr. No.</b> | <b>Particulars</b> | <b>Sitting Fees per Meeting</b> |
|----------------|--------------------|---------------------------------|
| 1.             | Board Meeting      | INR. 50,000                     |
| 2.             | Committee Meeting  | INR 10,000                      |

The remuneration paid to such directors shall be disclosed in the in the Annual Financial Statements of the Company.

### **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 limits as prescribed statutorily, 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.

There shall be no limit for payment of remuneration to Managing Director/Chief Executive Officer/Whole-time Directors, however remuneration beyond INR.1.50 crore should be debited to the Shareholders' Fund.

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 / WHOLETIME 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 will comprise of retiral benefits of Provident Fund, Gratuity, and Superannuation. It will also comprise of perquisites of company provided car and driver, 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 will select 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 obtained from the IRDAI and the shareholders.