

Policy on Compensation & Benefits ("Compensation Policy") for Managing Director & CEO, Other Whole-time Directors, non-executive Directors, Key Management Person (KMP), Senior Management Personnel (SMP) and other employees

Objective

The objective of the Compensation Policy is to lay down guidelines on compensation payable to the Managing Director & CEO, other Whole-time Directors (WTDs), non-executive Directors, KMPs, SMPs and other employees.

For the purpose of the Compensation Policy and operation thereof, meaning ascribed to the term KMP pursuant to Insurance Regulatory and Development Authority of India (IRDAI) requirements shall be as defined under IRDAI's Guidelines on Corporate Governance ("Guidelines"). Similarly, meaning ascribed to the term KMP pursuant to Companies Act shall be as defined under the Companies Act, 2013. Both collectively are referred herein as KMPs.

Further, meaning ascribed to the term SMP shall be as defined under the Companies Act, 2013 and include those considered as 'senior management' pursuant to the definition in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations.

Unless otherwise specified, the Compensation Policy shall apply *mutatis mutandis* to all such employees, in such form as may be prescribed in any regulatory or statutory requirement.

The Compensation Policy is divided into three parts. Part A deals with compensation of employees including KMPs & SMPs. Part B lays down the guidelines relating to compensation of the Managing Director & CEO and Other Whole-time Directors, and Part C for non-executive Directors.

Part A: Compensation policy for employees including KMPs/SMPs

Approach

The Company has historically followed prudent compensation practices under the guidance of the Board and the Board Nominations & Remuneration Committee (BNRC). The Company's approach to compensation is based on the ethos of meritocracy and fairness within the framework of prudent risk management. The Company follows the cost to company approach while determining the compensation structure. While the Company aims to ensure internal and external equity consistent with emerging market trends, the Company's business model and affordability based on business performance set the overarching boundary conditions. The output from the performance management system and talent management system serve as the inputs for administration of the Compensation Policy.

Compensation structure

To meet the organisation objective of attracting, rewarding and retaining talent, compensation is delivered through a holistic composition of instruments as given below:

1. Annual Guaranteed Pay (AGP)
2. Variable Pay
3. Long-term Pay
4. Non-cash Benefits
5. Post-retirement Benefits, and
6. Guaranteed bonus

The compensation structure shall be reviewed by the BNRC based on market trends and the Company strategy from time to time. The compensation budget shall be based on projected business targets and staffing requirements and desired profitability ratios. The compensation structure shall be a prudent mix of AGP and variable pay and the proportion of variable pay with respect to total compensation (AGP plus variable pay) shall be higher at senior levels.

1. Annual Guaranteed Pay (AGP): AGP consists of various components including basic salary, optional allowances and retirals. Optional allowances include a basket of components including house rent allowance, company car lease allowance, conveyance allowance, car maintenance and fuel expenses, domiciliary medical allowance, leave travel allowance, supplementary allowance, meal allowance, gift allowance, superannuation allowance & national pension scheme (for applicable employees) or any other allowance(s) introduced from time to time. The employee has the flexibility to design the allowances basket subject to the maximum limit that has been prescribed. Retirals include statutory contributions such as Employer's contribution to Provident Fund and Gratuity. The basic salary is determined as a fixed percentage of the AGP to the maximum extent possible, thereby ensuring prudent management of the compensation structure.

2. Variable Pay: The variable pay budget is determined based on the Company's capacity to pay. The extent of variable pay for individual employees is linked to individual performance for sales frontline employees and to individual and organisation performance for non-sales frontline employees and employees in the management cadre. Hence, variable pay serves as an effective instrument for managing employee costs in line with business cycles whilst simultaneously reinforcing a meritocratic performance culture.

The variable pay for sales frontline employees is given in the form of sales incentives. Sales incentive payouts are based on individual performance targets as may be defined from time to time and affordability considerations. The principles guiding the sales incentive payout shall be ratified by the Chief - Human Resources and Chief Distribution Officer of the Company.

Variable pay for non-sales frontline employees and employees in the management cadre are given in the form of PLR (Performance Linked Reward) for employees in level 1-6 and performance bonus for employees in level 7 & above. The performance bonus is capped at a maximum of 100% of basic salary for the individual with the highest performance rating. The performance rating assigned is based on assessment of performance delivered against a set of defined performance objectives. These objectives are balanced in nature and comprise a

holistic mix of financial, customer, people, process, quality, compliance objectives and/or any other parameters as may be deemed fit.

3. Long-term pay: The Company's long-term pay schemes are designed to encourage institution building among employees. Long-term pay may be administered either through the Company's employee stock option scheme or long-term reward scheme of the Company. Typically, this is a critical element in rewarding middle and senior management of the Company. As a philosophy, long-term pay is given to:

- Enhance employee motivation
- Enable employees to participate in the long term growth and financial success of the Company
- Act as a retention mechanism, by enabling employee participation in the business as an active stakeholder to usher in an 'owner-manager' culture

Specific criteria for grant of employee stock options or long-term reward could include organisation performance, individual performance, potential assessment, vintage and any other relevant parameters.

Stock options may also be granted to new employees at the time of their joining on a case-to-case basis with a view to attract high potential talent based on factors such as potential and skills.

4. Non-cash benefits: Non-Cash Benefits are provided to employees to supplement rewards and meet the non-financial and other requirements and are linked to their level in the organisation which inter-alia include the following and any other such benefit introduced from time to time:

- Hospitalisation insurance for employees and dependents
- Group term insurance for employees
- Personal accident insurance for employees
- Company car
- Club membership
- Company assets for home office

5. Post-retirement Benefits: Employees retiring from the services of the Company shall be eligible for the following post-retirement benefits:

Group Health Insurance: Hospitalisation coverage for self and spouse till life as per following limits:

- SGM & above: ₹ 1,200,000 per annum and floater of ₹ 3,600,000 in a block of 3 years
- Employees in Level 1 to 12: ₹ 400,000 per annum

Domiciliary Medical Expense: Domiciliary medical expense reimbursement for self and spouse till life as per following limits:

- Level 12 & above: ₹ 100,000 per annum
- Level 1 to Level 11: ₹ 15,000 per annum

Transportation to Home town: The Company shall bear expenses incurred by employees on travel/transportation to their Hometown from their place of work for their self, spouse and two dependent children. The expenses need to be claimed within 6 months from the date of retirement and the limit would be as per the Company Travel Policy.

6. Guaranteed bonus: Guaranteed bonuses are not consistent with the principles of meritocracy and the Company shall not encourage any kind of guaranteed bonus. Joining or sign-on bonus shall be granted in the context of hiring new staff from the market and shall be limited to the first year.

Review of compensation & benefits practices:

The Managing Director & CEO and Head of Human Resources shall be responsible for execution of the compensation strategy and plan (covering both fixed pay and variable pay) for the Company in line with the Compensation Policy. The Head of Human Resources will present the compensation system for review to the BNRC annually. The review of compensation decisions involve:

- Review of the prevalent and emerging trends in the market with specific reference to compensation provided
- Review of compensation policies in line with emerging employee needs and organisation priorities
- Decisions pertaining to annual increments, performance bonus, long-term pay (stock option grants/long-term reward), promotions

The BNRC shall recommend to the Board, all remuneration, in whatever form, payable to KMPs and SMPs.

Review of prevalent and emerging market trends: Emerging market trends constitute an important input to compensation decisions. It is therefore of prime importance to capture and develop a thorough understanding of market dynamics with respect to compensation trends. The Company chooses a mix of commissioned and sponsored surveys carried out by chosen vendors, study of information as available in the public domain, and self-initiated surveys.

Review of organisation priorities and employee needs: The Human Resources function engages on an ongoing basis in understanding the changing organisation priorities and the interrelations, if any on the compensation decisions of the Company. Through various channels and platforms, the function engages to understand employee needs with reference to compensation and benefits and to assess the efficacy of the current model.

Annual processes: Reviews of key processes such as increments, performance bonus, stock option grants, and promotions at various levels are carried out on a periodic basis. Few of these processes are outlined below:

- **Increments:** Compensation and benefits for various levels are reviewed periodically basis market data of the relevant comparator group, internal equity and capacity to pay considerations. As a good practice, increments at an individual level given in perpetuity are linked to performance and potential of the incumbent. This ensures that

short term performance does not get undue weightage in fixing compensation. The overall budget for increments and the increment grid for employees shall be approved by the BNRC.

- **Performance Bonus:** Performance bonus is payable at the end of each financial year, based on the performance of the Company and individual performance. The bonus payout grid shall be approved by the BNRC.
- **Grant of long-term pay:** Stock options may be granted based on availability of stock options for grant, performance of the Company and performance and talent ratings at the individual level. The eligibility criteria, maximum number of stock options that may be granted at each level and the stock option grant grid shall be approved by the BNRC and the Board. The Company may also grant long-term reward based on performance of the Company, affordability and performance & talent ratings at the individual level. The eligibility criteria and maximum long term reward that may be granted at each level shall be approved by the BNRC and the Board.

The Company may support growth of its subsidiary by extending retention bonus, grant of Company stock options, long-term reward or any other benefits to employees of the subsidiary(ies), as deemed fit and as applicable.

Delegation of authority

The delegation of authority to review, approve and ratify any compensation intervention at a Company or individual level has been laid down, unless otherwise mentioned in the Compensation Policy. Any special compensation intervention not mentioned in the authorisation schedule that may be taken up at a Company, function or individual level is subject to the approval of the Managing Director & CEO and Head of Human Resources, and shall be informed to the BNRC.

Part B: Compensation policy for the Managing Director & CEO and Other Whole-time Directors

IRDAI has prescribed “Guidelines on Remuneration of non-executive Directors and Managing Director/Chief Executive Officer/Whole-time Directors of Insurers” (Compensation Guidelines). These Compensation Guidelines read with the extant applicable circular(s) in this regard, requires the Company to formulate and adopt a comprehensive remuneration policy covering the Whole-time Directors with certain pre-requisites and disclosure norms.

Approach

Compensation will be aligned to both financial and non-financial indicators of performance including controls like risk management, process perspective, customer perspective and others.

Compensation Structure

The Compensation structure is delivered through inter-alia the following composition of elements that meet the objective of attracting, rewarding and retaining talent:

1. Annual Guaranteed Pay
2. Variable Pay
3. Long-Term Pay
4. Non-cash Benefits
5. Guaranteed Bonus and Severance Pay, and
6. Post-retirement Benefits

1. Annual Guaranteed Pay (AGP): AGP consists of various components including basic salary, supplementary allowances and retirals. Supplementary allowances include a basket of components including house rent allowance, company car lease allowance, conveyance allowance, car maintenance and fuel expenses, domiciliary medical allowance, leave travel allowance, meal allowance, gift allowance, interest subsidy on housing loan allowance, superannuation allowance & national pension scheme (for applicable employees) or any other allowance(s) introduced from time to time. The employee has the flexibility to design the allowances basket subject to the maximum limit that has been prescribed for each level. Retirals include statutory contributions such as Employer's contribution to Provident Fund and Gratuity. The basic salary is determined as a fixed percentage of the AGP to the maximum extent possible, thereby ensuring prudent management of the compensation structure.

2. Variable Pay: The quantum of bonus shall not exceed 70% of the total fixed pay (basic salary + allowances) in a year. If the quantum of bonus exceeds 50% of the total fixed pay, the payout will be 60% of the bonus as upfront and the balance 40% shall be equally deferred over the next three years.

Alignment of compensation to prudent risk parameters: To ensure effective alignment of compensation with prudent risk parameters, the Company will take into account various risk parameters along with other pre-defined performance objectives of the Company, which shall include the following:

- I. Persistency
- II. Solvency
- III. Grievance Redressal
- IV. Expenses of Management
- V. Claim settlement
- VI. Claim repudiations
- VII. Overall Compliance status
- VIII. Overall financial position such as Net-Worth position, Asset under Management (AUM) etc.

Ensuring balance in setting performance objectives, capping the payout of performance bonus and following an annual payout cycle ensures that prudent behavior is suitably encouraged and rewarded.

3. Long-term pay: Long-term pay may be administered through employee stock options in line with the Company's employee stock option scheme or long-term reward scheme of the Company. Stock options may be granted in accordance with regulatory guidelines including SEBI ESOP Guidelines and subject to availability of stock options for grant in line with the performance of the Company. The eligibility criteria, maximum number of stock options or long term reward would be in accordance with the approval of the BNRC.

4. Non-cash benefits: Non-Cash Benefits are provided to supplement rewards, which inter-alia include the following:

- Hospitalisation insurance for whole-time Directors and dependents
- Group term insurance
- Personal accident insurance
- Company car
- Club memberships
- Domiciliary medical expense reimbursement
- Soft furnishing
- Company assets for home office

5. Guaranteed bonus & Severance pay for Whole-time Directors: Guaranteed bonuses are not consistent with sound risk management or pay for performance principles and the Company will not encourage any kind of guaranteed bonus as part of remuneration plan. Joining or sign-on bonus may only be payable in the context of hiring new staff and will be preferably limited to first year. However, payment of joining or sign-on bonus may be made beyond the year of joining. Grant of employee stock options shall be the preferred form for joining or sign-on bonus.

Payment of severance pay other than accrued benefits (mandated by statute) shall be made with the prior approval of the Board.

Malus and Claw back: Compensation will be aligned to both financial and non-financial indicators of performance including controls like risk management, process perspective, customer perspective and others.

- Acts of gross negligence and integrity breach shall be covered under the purview of the compensation policy. Errors of judgment shall not be construed to be breaches under this note.
- The deferred part of the variable pay (performance bonus) will be subject to malus, under which, the Company will prevent vesting of all or part of the variable pay in the event of an enquiry determining gross negligence or integrity breach.
- Employees will be required to sign claw back agreements for the variable pay. In a claw back arrangement, the employee will agree to return, in case asked for, the previously paid variable pay to the Company in the event of an enquiry determining gross negligence or integrity breach, taking into account relevant regulatory stipulations.

6. Post-retirement benefits: The Managing Director & CEO and other WTDs retiring from the services of the Company shall be eligible for the following post-retirement benefits:

Group Health Insurance: Hospitalisation coverage for self and spouse till life as per following limits:

- ₹ 1,200,000 per annum and floater of ₹ 3,600,000 in a block of 3 years

Domiciliary Medical Expense: Domiciliary medical expense reimbursement for self and spouse till life as per following limits:

- Managing Director & CEO: ₹ 150,000 per annum
- Deputy Managing Director: ₹ 150,000 per annum
- Other WTDs: ₹ 100,000 per annum

Transportation to Home town: The Company shall bear expenses incurred by the Managing Director & CEO and other WTDs on travel/transportation to their Hometown from their place of work for their self, spouse and two dependent children. The expenses need to be claimed within 6 months from the date of retirement and the limit would be as per the Company Travel Policy.

Review of Compensation

The decision relating to remuneration of the Managing Director & CEO and other Whole-time Directors would be reviewed & approved by the BNRC, the Board, IRDAI, and shareholders of the Company.

Disclosure requirements

The Company shall comply with the disclosure requirements prescribed by IRDAI, SEBI or any other regulatory or statutory requirement. The extant applicable key requirements prescribed by IRDAI are indicated in **Annexure A**.

Part C: Compensation policy for non-executive Directors

The remuneration payable to non-executive Directors would be governed by extant applicable requirements prescribed by IRDAI, SEBI or any other relevant authority, the Companies Act, 2013 and the Insurance Act, 1938.

Considering the above, the permitted modes of remuneration for Independent Directors would be:

- Sitting fee for attending each meeting of the Committee/Board as approved by the Board from time to time within the limits as provided under Companies Act, 2013 and related rules.
- Profit related commission as may be approved by the Board and shareholders from time to time, subject to availability of requisite profits and compliance with applicable statutes/regulations.

All Independent Directors would be entitled to reimbursement of expenses for attending Board/Committee meetings, official visits and participation in various forums on behalf of the Company.

Only the Independent Directors on the Board of the Company will be paid profit related commission, in accordance with the extant applicable regulatory or statutory requirements.

No compensation shall be paid to any non-executive non-Independent Directors, including any Nominee Directors, if any, or those non-executive Directors nominated by promoters of the Company.

Annexure A

Disclosure requirements for compensation as per IRDAI guidelines

Qualitative Disclosures

S. No.	Disclosure
1	Information relating to the design and structure of remuneration processes and the key features and objectives 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 Company seeks to link performance during a performance measurement period with levels of remuneration.

Quantitative disclosures (MD&CEO and Other WTDs)

S. No.	Disclosure
1	<ul style="list-style-type: none"> Number of MD/CEO/WTDs having received a variable remuneration award during the financial year. Number and total amount of sign-on awards made during the financial year. Details of guaranteed bonus, if any, paid as joining/sign on bonus.
2	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.
3	Total amount of deferred remuneration paid out in the financial year.
4	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.