

REMUNERATION POLICY

Policy Approved by:	Board of Directors
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1. Preamble

The Remuneration policy of Exide Life Insurance Company Limited (the "Company") is aligned to the principles of good corporate governance.

The Company has a remuneration committee and a Charter. The remuneration committee was rechristened as 'Nomination and Remuneration Committee' in the Board meeting held on 23rd April 2014 in compliance with provisions of Companies Act 2013.

The remuneration policy is also aligned to the principles and Objectives as envisaged under section 178 of the Companies Act 2013 and Companies (Meetings of Board and its Powers) Rules, 2014, inter-alia principles pertaining to determining qualifications, positive attributes integrity and independence of the Directors.

2. Objective of the Policy

The objective of this policy is:

- a) To determine remuneration framework based on the Company's size and financial position and trends and practices on remuneration prevailing in the Industry.
- b) To ensure that remuneration is structured in a way that company can attract, retain and motivate employees of the quality required to run the company successfully.
- c) To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Director on the Board (Executive and Non-Executive) and persons who may be appointed in Senior Management and Key Managerial positions and to determine their remuneration.
- d) Carry out the evaluation of the performance of Director on the Board, as well as Key Managerial and Senior Management Personnel.

The objectives of remuneration policy of MD/CEO/WTD may be summarized as follows:-

- The remuneration policy aims to enable the Company to provide a well-balanced and performance related MD/CEO/WTD compensation package, taking into account shareholder interests, applicable laws and regulatory guidelines.
- The remuneration policy will ensure that interests of MD/CEO/WTD are aligned with the business strategy and risk tolerance, objectives and long term interests of the Company.

3. Application of the Policy

This policy applies to following categories of appointees:-

- a) Directors on the Board which includes Whole Time or Executive Directors and Non-Executive or Independent Directors.

- b) Senior Management of the Company :- For this policy Senior Management shall comprise the following :-
1. Persons as defined under Section 2(51) of the Companies Act and
 2. Direct Reportees of Managing Director & CEO who are designated Director and above.
- c) Other Employees of the company.

4. Appointment criteria and qualifications

(i) General for all employees:-

The Company shall recruit individuals with high integrity who have a track record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively discharge the job responsibility. Appointment of employees is approved in accordance with the overall policy framework.

(ii) Senior Management:-

The Senior Management should comprise of individuals with an appropriate mix of skills, experience and personal attributes. The Senior Management should be adept and understand the business and the environment in which Company operates and deliver on the Company objectives, goals and strategic direction.

The following qualifications are required for consideration of Managing Director and CEO and his recommendation to Nomination & Remuneration Committee for selection of potential candidates as part of Senior Management, or the continued service of existing members or personnel's as the case may be:

- a) Appropriate level of experience and education.
- b) High Levels of Integrity.
- c) Ability to provide insights and practical wisdom based on their experience and expertise for the success of the Company;
- d) Display of specific competencies as defined.
- e) Compliance with legal and regulatory requirements.

(iii) Board of Directors:-

To ensure that the Board is comprised of individuals who possess the skills, qualities and experience to collectively contribute to effective board governance, the remuneration and nomination committee is responsible to assist the board in identifying qualified individuals to become board members.

The Nominations and Remuneration Committee will ensure that the identified candidates meet the eligibility norms as set out in the Companies Act 2013 and other statutory provisions applicable to Director/Independent Director appointments and will use the following criteria to determine the suitability of candidates for recommendation:

- a) Every director must adhere to the highest ethical standards, display solid business judgment and have strong interpersonal skills.
- b) Proven ability to read and interpret financial statements

In assessing potential candidates, in addition to the selection criteria set out above, the Nomination and Remuneration Committee shall consider the overall composition of the Board of Directors and shall strive to ensure right balance and mix of skillset required for navigating the company in achieving its objectives.

5. Remuneration

(i) General:-

Remuneration is determined based on the industry position, business performance, and macro-economic conditions and also benchmarked to companies in the insurance industry. Benchmarking is done with the help of reports generated by/through internationally recognized compensation/HR service consultancies and internal industry reports and other feasible means. Remuneration of employees is approved within the overall policy framework as approved by Nomination & Remuneration Committee. The statutory payments such as provident fund, gratuity etc. shall be paid in accordance with the applicable regulations. The perquisites and other benefits will be decided in accordance with the geographical area of operation and industry practices and shall be part of overall remuneration framework as approved by Nomination and Remuneration Committee.

(ii) The Remuneration for Senior Management:-

The objective of remuneration to Senior Management is to attract, motivate and retain the qualified individuals that Company needs in order to achieve its strategic and operational objectives. The policy encourages a "pay for performance" culture. The remuneration to the members of Senior Management is considered and recommended by the MD & CEO to the Nomination & Remuneration Committee for approval. While recommending remuneration, the MD & CEO will consider following:-

- a) The level and composition of remuneration should be reasonable and sufficient to attract, retain and motivate directors/executives and should be in line with the industry practice aimed at promoting the short term and long term interests and performance of the company.
- b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- c) Remuneration has a balance between Fixed, Variable Pay & Benefits reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

(iii) Remuneration of Managing Director / Chief Executive Officer / Whole Time Directors (MD/CEO/WTD):-

The aim of this policy is to ensure that MD/CEO/WTD is remunerated in a way that reflects the company's long-term strategy. The policy is designed in the context of competitive market trends, the provisions of section 34A of the Insurance Act, 1938, IRDAI (Remuneration of Chief Executive officer/whole time Director/ Managing Director of Insurers) Guidelines 2016 and corporate governance best practices.

A. Remuneration Components:-

Remuneration components for MD/CEO/WTD will consist of a Fixed salary, Variable Pay and other Benefits.

1. Fixed Salary:-

For MD/CEO/WTD, the Board of Directors based on recommendation of the nomination and remuneration committee will determine the amount of fixed compensation as part of total compensation.

2. Variable Pay:-

Variable Pay of MD/CEO/WTD will consist of following elements:-

1. Performance Award

Target performance for the full year (April – March) to be as follows:
Target performance for H1 = (90% of Annual TFC)
Target performance for H2 = (90% of Annual revised TFC)
Target performance for full year= Average of Target pay H1+H2.

2. Long Term Incentive Plan (LTIP)

Long Term Incentive Plan (LTIP) – Absolute Amount which is decided for every Financial Year (April – March)

3. Benefits:-

The benefits shall comprise of Company Car, Group Hospitalization Cover and Club Membership etc. as may be approved by Board from time to time.

B. Evaluation Criteria:-

Variable Pay will be aligned to MD/CEO/WTD's commitment to the Company's business strategy, risk tolerance and long term performance.

The Board will choose the parameters from the list as indicated below and will accordingly approve the performance evaluation metrics at the beginning of the year:

- Premium Income
 - Client Balances
 - Profit Before Tax
 - Value of New Business
 - Operating Expenses
 - Non-Financial Risk
 - Persistency
 - Solvency
 - Grievance Redressal
 - Expenses of Management
 - Claim Settlement
 - Overall Compliance Status
- Any other as deemed appropriate by the Board

The Variable Pay will be determined in accordance with the performance for the year taking into account achievement against the approved metrics

The Board reserves the right to award the appropriate variable pay, keeping in mind overall external & internal circumstances, improvements & deteriorations in performance and other such factors, which it may deem appropriate.

The Board of Directors, basis the recommendation of Nomination and Remuneration Committee can approve payment of Additional/ Exceptional Bonus taking into consideration overall performance of the company.

Basis the performance against the key indicators as above and the overall performance the grant of Variable Pay will be awarded as deemed appropriate by the Board, subject to applicable regulations.

Pay – Out: - Pay outs will be done as follows

1. Fixed salary will be paid on a monthly basis.
2. Up to 60% of the Performance Award will be paid in H1 of the subsequent performance year (PY) i.e. (PY +1).
3. At least 40% of Performance Award and 100% of LTIP will be paid in 3 equal tranches in H1 of PY+2, PY+3 and PY+4.

Overall minimum 40% of the Variable Pay will be deferred for payment in accordance with clause 6 & 9 of the IRDAI guidelines on CEO Remuneration. Further it will be ensured that for the deferred pay as per clause 3 above the deferral period will not be less than three years and remuneration payable under deferral arrangements will vest on pro rata basis.

Total Remuneration:-

Total remuneration of the MD/CEO/WTD will be the sum of the Fixed Salary, Variable Pay and Benefits (like Company Car, Group Hospitalization Cover and Club Membership etc.).

Withholding of Unvested/Unpaid Portion:-

The Board of Directors will have the authority to withhold any unvested/unpaid portion of variable performance pay, in case of material deterioration in business of the Company due to acts on the part of the MD/CEO/WTD in the relevant Performance Year.

Cessation of Contract:-

In an event of contingency like Resignation from the Services, Termination, Merger/Takeover of the Company which disrupts the continuation of service or on Superannuation, the Board on the recommendation of Nomination and Remuneration Committee, will decide on the Terms and Conditions of Cessation.

(iii) Remuneration of Non- Executive/Independent Directors:-

Non-Executive/ Independent Directors are paid remuneration by way of sitting fees as may be decided by the Board. The company shall pay sitting fees per meeting of the board and committees to the Non-Executive/ Independent Directors for attending the meetings within the limits prescribed under Companies Act 2013.

Subject to the approval of the Board and the shareholders and in accordance with the provisions of the Companies Act, the rules made thereunder, relevant IRDAI regulations and guidelines, Non-Executive / Independent Directors may be paid profit related commission from time to time, provided the Company is making profit. Any such profit related commission shall not exceed amounts as may be specified by IRDAI. Subject to the overall limit in this regard, the Board may at its discretion, determine and pay differential profit related commission to its Non-Executive/ Independent Directors and/or may choose to pay such profit related commission to only one, or some of its Non-Executive/ Independent Director and not others.

6. Performance Evaluation

i) General:-

A key component of staff management consists of the regular assessment of performance through a process which assesses each staff member against previously agreed objectives.

All executives and staff will be annually/periodically subject to company's performance evaluation procedure. The performance ratings and increments are

approved in accordance with the overall policy framework as approved by Nomination & Remuneration Committee and in accordance with the charter of the Committee.

ii) Senior Management Team Performance Evaluation:-

The process undertaken by the Company in respect of performance evaluation of members of Senior Management Team comprises the following:

- The review of these employees is conducted by the MD & CEO.
- The MD & CEO in this review considers their performance against the identified responsibilities and objectives.
- In reviewing and making recommendations on performance MD & CEO may give consideration to both the individual performance of the executive and company performance of the relevant year.
- Based on the above MD & CEO recommends salary increments and Variable Pay of members of Senior Management team; which is approved by Nomination and Remuneration Committee.

iii) Mechanism for Evaluation of Individual Directors:-

The performance evaluation of individual directors could be done by a peer group comprising the entire Board of Directors, excluding the director being evaluated; and peer group evaluation could be the mechanism to determine whether to extend / continue the terms of appointment of Directors.

The performance of individual Directors shall be evaluated, amongst other things, on the basis of contribution and effectiveness in corporate governance, leadership through vision and values, strategic thinking and decision making, commercial and business acumen, teamwork, contribution to resolution of divergent views, proactive participation and time commitment. The performance of the individual Director will also be assessed on how well he handles situation of direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company, avoids undue gain or advantage either to himself or to his relatives, partners, or associates.

iv) Process for Evaluation of Independent Directors:-

Each Non-Executive Independent Director's ("NEID") contribution will be assessed by the Chairperson of the Board and the results of the assessment be discussed with the NRC Chairperson. The contribution of the NRC Chairperson will be assessed by the Chairperson of the Board and the result of the assessment be discussed with the senior most Independent Director. Criteria for assessment of NEIDs include attendance record, intensity of participation at meetings, quality of interventions and special contributions.

Independent directors have key roles namely, governance, control guiding strategy, statutory compliances and such other key points which could be of importance to the Company. Some of the performance indicators on which the Independent Directors evaluated are:

- Ability to contribute to and monitor the Company's corporate governance practices.
- Ability to contribute by introducing international best practices to address top management issues.
- Active participation in long term strategic planning.
- Commitment to the fulfilment of duties and fiduciary responsibilities as enshrined in various statutes and charter of Committees.
- Upholding of ethical standards of integrity and probity.
- Not allowing any extraneous considerations that will vitiate his/her exercise of objective independent judgment in the paramount interest of the Company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making.
- Refraining from any action that would lead to loss of his/her independence.
- Striving to attend all meetings of the Board of Directors and Board Committees of which he/she is a member and general meetings of the Company.
- Not disclosing confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

v) Mechanism for Performance Evaluation of Managing Director and Executive Directors:-

This policy is to ensure that the Managing Director and Executive Directors execute the Company's strategy through the efficient and effective implementation of the business objectives. While doing so the reference is being drawn to Evaluation Criteria as mentioned in clause 5 B of this policy. In order to accomplish this:

- Each year the Board shall review the Company's strategy.
- Following such a review the Board shall set the organization performance objectives based on qualitative and quantitative measures.
- These objectives shall be reviewed periodically to ensure they remain consistent with the Company's priorities and the changing nature of the Company's business.
- These objectives shall form part of the performance targets for the Managing Director and Executive Directors.
- Performance against these objectives shall be reviewed annually by the Chairperson together with the Chairperson of the Nomination and Remuneration Committee, and the results as reviewed by the Board shall be

reflected in the Managing Directors and Executive Directors' remuneration review.

- In an event where an Executive Director is appointed by the Board, Additionally the Managing Director shall also assess the performance of the Executive Director and provide a report to NRC for its review.

vi) Mechanism for Performance Evaluation of the Chairperson of the Board:-

The non-executive directors, led by the NRC Chairperson should be responsible for performance evaluation of the Chairperson taking into account the views of the Managing Director/Executive Directors.

The performance of the Chairperson shall be evaluated, amongst other things, on the basis of contribution and effectiveness in corporate governance, leadership through vision and values, strategic thinking and decision making, commercial and business acumen, teamwork, contribution to resolution of divergent views, proactive participation, time commitment, interaction with management and relationships and communications with shareholders.

vii) Mechanism for Performance Evaluation of the Board:-

- (a) The Chairperson of the Board will meet with each director separately seeking input in relation to:
 - (i) The performance of the Board;
 - (ii) The performance of each Board Committee;
 - (iii) The performance of the Chairperson;
 - (iv) The performance of the Managing Director and Executive Directors;
 - (v) Their own performance; and
 - (vi) Ideas for improvement.
- (b) Performance should be assessed quantitatively (and qualitatively, as appropriate) against various criteria, strategic plans and the role/position description.
- (c) The Chairperson will collate the input and provide an overview report for discussion by the Board.
- (d) The Board should evaluate its effectiveness in use of time, whether Board allowed sufficient opportunity to adequately assess management performance, Board's ability to keep abreast of developments in the wider environment, adequacy of meeting frequency and duration.
- (e) The Board should consider working relationship between Chairperson and Managing/Executive Directors, segregation of duties between Board and management, ability of Directors to express views to each other and to management in a constructive manner, adequacy of Board discussions and management of divergent views.

- (f) The Board as a whole will discuss and analyse its own performance during the year including suggestions for change or improvement, as well as any skills, education, training or development required over the forthcoming year and adequacy of procedures dealing with inadequate performance by a Board member.

viii) Mechanism for Performance Evaluation of Committees of the Board:-

Performance evaluation of Committees is conducted to ensure that Committees to which the Board has delegated responsibilities are performing efficiently and effectively in accordance with the duties and responsibilities set out in their charter.

Each year the Board will undertake the following activities:

- The Board will review the necessity of establishing any Committees and delegating certain of its responsibilities to the Committee.
- The Board will review the Committees achievements during the year based on their duties.
- The Board will review the charters of the Committees once per year to ensure that they are up to date.

External Consultants

The NRC/Board may engage independent external consultants, wherever required, to provide advice and assistance in the evaluation process.

7. Review of the Remuneration Policy

The Remuneration Policy of the Company shall be reviewed by the Remuneration and Nomination Committee on a periodic basis and if necessary with approval of the Board same should be amended in the light of any legal changes, regulatory requirements, national & international best practices.

FOR EXIDE LIFE INSURANCE COMPANY LIMITED

**ANKIT SINGHAL
COMPANY SECRETARY & CHIEF COMPLIANCE OFFICER**