

**REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS, MANAGING  
DIRECTOR/CEO/WHOLE-TIME DIRECTORS AND KEY MANAGERIAL PERSONS OF  
INDIAFIRST LIFE INSURANCE COMPANY LIMITED**

---

**1. INTRODUCTION**

The Insurance Regulatory and Development Authority of India (“**IRDAI**”) has issued the Guidelines on Remuneration of Non- Executive Directors, Managing Director / Chief Executive Officer / Whole-time Directors and Key Managerial Persons of Insurers vide IRDA/F&A/GDL/MISC/141/06/2023 dated June 30, 2023 (“**Guidelines**”).

The Guidelines are effective from FY 2023-24 and have superseded the earlier guidelines issued by the IRDAI vide ref IRDA/F&A/GDL/LSTD/155/08/2016 dated 05<sup>th</sup> August 2016.

As per the Guidelines the Company is required to:

1. Adopt a comprehensive remuneration policy for non-executive Directors.
2. Adopt a comprehensive remuneration policy for Managing Director / Chief Executive Officer / Whole-time Directors.
3. Adopt a comprehensive remuneration policy for Key Managerial Persons.

The compensation paid to the MD/CEO, Whole Time Directors (WTDs) and Key Managerial Persons shall be in line with the Guidelines. The compensation structure has to be approved by the Board of Directors based on recommendations made by the Nomination & Remuneration Committee (“**NRC**”).

**2. Scope**

The policy applies to all Non-Executive Directors, Managing Director/Chief Executive Officer/Whole-Time Directors, and Key Managerial Persons of the Company and it is effective from September 30, 2023.

**3. Policy for Non-Executive Directors.**

**Remuneration:**

The Non-Executive Directors shall not be eligible for any remuneration.

**Sitting Fees and reimbursement of expenses:**

The sitting fees payable and reimbursement of expenses for the Board and Committee Meetings shall be as follows:

<b>Nature of Meeting</b>	<b>Fees and Reimbursement of expenses</b>
Board	Rs. 1,00,000/- per meeting. Actual expenses for Air Fare, Hotel Costs and Local Conveyance.
Committee	Rs. 75,000/- per meeting. Actual expenses for Air Fare, Hotel Costs and Local Conveyance.

The sitting fees for the shareholders' nominee directors shall be paid to the shareholders.

**Tenure and age limit:** No Independent Director shall hold office for more than two consecutive terms, each term being maximum three years. Further, both appointment and re-appointment is subject to the age limit of 70 years of age. Reappointment of independent director for the second term shall be subject to a special resolution passed by the Company in the favour of such appointment.

#### **4. Policy for MD / CEO, WTDs and Key Managerial Persons**

##### **4.1 Objectives & Principles**

The overall objectives for laying down a Remuneration policy for MD / CEO, WTDs and Key Managerial Persons is to offer compensation systems that make it possible to attract, retain and motivate the most outstanding professionals in order to enable the Company to attain its strategic objectives and sustainable growth within the increasingly competitive context in which it operates. The primary objective is achievement of goals of the Company without incentivising excessive risk-taking and avoiding conflict of interests.

Further, the remuneration system would be in line with the regulatory framework of the insurance sector. Going forward, the remuneration system for MD & CEO, WTDs and Key Managerial Persons shall be aligned with the Guidelines for sound remuneration practices (effective FY 2023-24) and would address the general principles of:

- Remuneration covers for all types of risk;
- Remuneration outcomes are symmetric with risk outcomes;
- Remuneration pay-outs are sensitive to the time horizon of the risk; and
- The mix of Cash, Equity and other forms of remuneration must be consistent with risk alignment.

Accordingly, the Remuneration Policy for MD & CEO, WTDs and Key Managerial Persons seeks to:

- Ensure that the policy formulated by Board of Directors, in consultation with NRC is in line with the provisions of Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("**SEBI Listing Regulations**"), and the Guidelines;
- Ensure the remuneration is adjusted for all types of risks;
- Ensure the mix of cash, equity and other forms of remuneration are consistent with risk alignment;
- Ensure that the remuneration, in terms of structure and total amount, is in line with the best practices, as well as competitive vis-à-vis that of peer insurance companies;
- Establish the linkage of remuneration with individual performance as well as achievement of the company objectives;
- Include a significant variable pay component tied to the achievement of pre-established objectives in line with Company's achievement while also ensuring that the remuneration is aligned with prudent risk taking; and
- Encourage attainment of long-term shareholder returns through inclusion of long-term incentives as part of overall remuneration framework.

Details regarding the MD & CEO, WTDs and Key Managerial Persons remuneration as well as all other disclosures as mentioned in the Guidelines, relating to Qualitative & Quantitative

disclosure shall be made available to the shareholders as part of disclosures in the Annual Report.

#### **4.2 Performance Assessment Parameters for payment of Variable Pay or Incentives:**

The following parameters shall be taken into account for determination of performance assessment of all KMPs for payment of variable pay or incentives:

- Overall financial performance such as Net-Worth position, solvency, growth in AUM, Net Profit etc.;
- Compliance with the IRDAI (Expenses of Management for Insurers transacting Life Insurance Business) Regulations, 2023.
- Claim efficiency in terms of settlement and outstanding
- Improvement in grievance redressal status
- Reduction in unclaimed amounts of policy holders
- Persistency matrix- 37<sup>th</sup> month to 61<sup>st</sup> month
- Overall compliance with respect to all applicable laws

These parameters shall constitute at least 60% of the total weightage in the performance assessment matrix of MD/CEO/WTDs and at least 30% of the total weightage in the performance assessment matrix of Key Managerial Persons individually. The weightage of each parameter may be configured suitably depending on their respective roles. Additional parameters shall be in line with the business plan. These parameters shall also form the basis for revision of fixed pay.

#### **Age & Tenure Limit for MD / CEO / WTDs**

- Subject to statutory approvals required time to time and the SEBI Listing Regulations, as applicable, the post shall not be held by the same incumbent for a continuous period of more than 15 years. An incumbent shall be eligible for reappointment, if considered necessary and desirable by the Board, after cooling-off period of at least one year, subject to meeting other applicable conditions.
- If the incumbent is appointed by a promoter / major shareholder, then he/she shall not hold the said posts for continuous period of more than 12 years, subject to applicable law. However, the Company may make an application to the IRDAI giving substantial reasons for permitting such MD & CEO or WTDs to hold office up to 15 years.
- A promoter/shareholder cannot hold a whole-time position in the Company. However, this condition is not applicable in case where an employee of the Company becomes a shareholder by virtue of shares received through ESOPs during the course of employment.

### **5. OUR APPROACH**

#### **COMPONENTS OF REMUNERATION FOR MD / CEO and WTDs, Key Managerial Person's (KMP's)**

For aligning risk to Remuneration, only Fixed pay, Retirals, Insurance Benefits, Perquisites, Variable Pay & LTIPs are considered, and ESOPs (which are granted and vested) (if any) will not be considered as a part of the remuneration computation.

The salary structure will constitute of the following heads:

## **Fixed Pay**

- Basic Salary
- Allowances, which includes
  - o Housing Rent Allowance
  - o Medical, LTA, Allowances for Car, Special Allowance & any other allowances as defined

## **Retirals Benefits**

- PF - 12% of Basic Salary
- Gratuity – As per the rules

## **Insurance Benefits**

- Group Term Life cover as per the company policy
- Group Personal Accident cover as per the company policy
- Group Mediclaim cover as per the company policy

## **Perquisites**

It is proposed to have a full cash out structure with the exception being club membership to be included as a perquisite at a future date.

## **6. Variable Pay, Long Term Incentives Plan (LTIP), ESOPS/ Stock Linked Plan**

Variable Pay includes incentives, bonus, share linked instruments etc. and shall be performance based using measures of individual, unit or group performance that do not create incentives for inappropriate risk taking. It shall be aligned with long term value creation and time horizon of risks to which may be exposed. It shall be paid / granted only once during the financial year.

Some of the other parameters would be as under:

- Percentage of variable pay for the MD / CEO, WTDs, KMPs shall be 50% of fixed pay.
- Percentage of the grant of Long-Term incentive for the MD / CEO & WTDs and KMPs shall be 25% of fixed pay. Deferred pay-outs with a minimum deferral period of 3 years shall be built in the remuneration plan.
- A minimum of 50% of the variable pay shall be via non-cash instruments.
- Till the equity shares of the Company are listed on a recognized stock exchange, the fair value of the equity shares to be considered shall be certified by a Category 1 merchant banker registered with SEBI for the purpose of calculation of the benefit envisaged in this policy.
- Till the Company gets listed, total number of ESOPs granted in a year shall not exceed 1% of the paid-up capital of the Company. The total number of ESOPs issued, granted, vested or outstanding at any point of time shall not exceed 5% of the paid up capital of the Company.
- After the Company gets listed, the norms for grant, valuation and disclosures of share linked instruments shall be as per the ESOP policy of the Company and as approved by NRC & Board.
- No sweat equity shares shall be issued.

- The deterioration in the financial performance and other defined parameters as per the remuneration policy shall lead to a contraction in the total amount of variable pay which may even be reduced to zero as per the guidance received from NRC and the Board.
- In case of retirement / resignation / death prior to deferral period, the deferral pay may be paid as per the employment contract. In case of reappointment on retirement, the deferred pay due at the time of retirement (prior to reappointment) shall be paid only for respective years to which it is originally deferred.
- In case of termination of employment, the deferred pay shall be forfeited.
- The deterioration in the financial performance of the Company may lead to a contraction in the total amount of variable remuneration including LTIP.
- Variable pay/LTIP pertaining to the year of negative contribution / misrepresentation shall be subject to clawback as per the process defined by the organisation in case of negative contributions or misrepresentation.

Any grant or exercise of ESOPs shall be subject to applicable law including *inter alia* the IRDAI (Registration of Indian Insurance Companies) Regulations, 2022.

### **6.1 REMUNERATION REVISION CYCLE**

The MD / CEO, WTDs, KMPs shall be eligible for annual revision in remuneration subject to approval obtained from the NRC and Board.

Revision in remuneration shall be based on the following:

- Yearly increment guidelines specified by the company
- Benchmarking with peer companies
- Market corrections if required.

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

No remuneration shall be paid to MD / CEO, WTDs and KMPs by any of the promoter/investor or by group companies of the promoters'/investors' companies.

### **6.3 OTHER PRINCIPLES**

#### Guaranteed Bonus

Guaranteed bonuses are not part of compensation plan for MD/ CEO & WTDs. Joining / sign on bonus may be granted only in the context of hiring and will be limited to the first year of joining. Such bonus will neither be considered as a part of fixed pay nor as a part of variable pay.

#### Severance Pay

No severance pay to be granted other than accrued benefits (gratuity, pension, etc.) except for such instances and to such extent as are permitted by the law. Severance pay, in the present context, does not include notice-pay.

## **6.4 MALUS AND CLAW BACK**

Variable Pay shall be subject to malus and claw-back provisions as per the assessment. In case of deferred remuneration, in the event of any negative trend in the defined parameters and / or the relevant line of business in any year during the vesting period, unvested / unpaid portions of deferred variable pay shall be reduced or cancelled as per the assessment. While deciding such reduction, the NRC may consider actual or realized performance of the Company.

Malus and clawback provisions shall be built in the employment contract of KMPs for gross negligence, breach of integrity, materially inaccurate financial statements owing to misconduct and poor compliance with corporate governance and regulatory matters. The employment contract shall stipulate that malus or claw-back provisions shall be applicable for the deferral period. The NRC shall decide the amounts, period of malus or clawback, other scenarios where malus or clawback shall be triggered and link it to performance parameters of variable pay in the employment contracts of all KMPs.

## **7. ACCOUNTING AND DISCLOSURE**

The Company shall adhere to the prescription in the Guidelines in relation to disclosure and engagement by stakeholders in the Annual Report, both on the Qualitative and Quantitative disclosures.

The amount of remuneration paid / not paid / outstanding for the financial year shall be disclosed with all components of the remuneration.

In case the annual remuneration (fixed pay plus variable pay) of the MD & CEO / WTD exceeds Rs. 4 crores (including all perquisites plus bonuses etc., by whatsoever names), such excess shall be borne by the shareholders' account and debited to Profit & Loss account.

Liability in the respective books of accounts shall be created in respect of deferred remuneration of the reporting financial year.

Deferred remuneration pertaining to previous financial years and paid in the reporting financial year shall not be debited to Revenue account / Profit and Loss account as the same shall be adjusted against the liability outstanding in the books of accounts at the beginning of the year.

In case of forfeiture of deferred pay, the corresponding liability outstanding shall be reduced accordingly.

In case of recovery of earlier paid remuneration, if any, the same shall be credited to Revenue account / Profit and Loss account, as the case may be.

## **8. Review of the Policy**

This Policy shall be reviewed annually and be revised as and when the NRC is of such an opinion. The revised Policy shall be placed to the NRC and the NRC shall place the recommendations/changes in Policy to the Board of Directors for final approval.

## Appendix

<b>Sr. No.</b>	<b>Abbreviation</b>	<b>Full Form</b>
1	CEO	Chief Executive Officer
3	ESOP	Equity Shares Options Plans
4	KMP	Key Management Persons
5	LTA	Leave Travel Allowance
6	LTIP	Long Term Incentive Plan
7	MD	Managing Director
8	NED	Non-Executive Directors
9	NRC	Nomination & Remuneration Committee
10	PF	Provident Fund
11	SEBI	Securities Exchange Board of India
12	WTD	Whole Time Directors