

AGEAS FEDERAL LIFE INSURANCE CO. LTD. -

REMUNERATION POLICY

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Version and Approval History

Version	Approved by NRC (Date)
1	03.02.2023
1.1	

Remuneration Policy

1. Objective:

Define, implement, and monitor an overall remuneration philosophy and framework for Ageas Federal Life Insurance (AFLI) in line with the requirements of Ageas Group (Ageas) and requirements of Insurance Regulatory and Development Authority of India.

- Reward competitively to attract, motivate and retain key talent.
- Differentiate reward by performance and recognise sustained (over) achievement of performance against pre-agreed, objectives & goals at corporate (Ageas), company (AFLI) and individual level.
- Promote achievement of demanding performance targets and long-term sustainable growth.
- Embed and formalize sound principles of corporate governance and responsible business conduct in line with applicable regulations.
- Observe principles of remuneration practise that contribute to prudent risk management and not leading to risk taking that exceeds the risk tolerance limits of AFLI.
- Define framework for payment of remuneration of directors (Executive and Non-Executive), Key Managerial Personnel and other employees.

2. Scope:

All permanent employees and directors of the Company including CEO, Whole Time Director & Managing Director, and Key Managerial Persons (KMPs).

3. Governance:

- Efficient corporate and organizational governance structures are an essential pre-requisite for the pursuit of our organizational objectives. The Board of Directors shall have a separate committee called a Nomination and Remuneration Committee (NRC) formed as per the provisions of the Companies Act, 2013.
- NRC shall oversee and govern the compensation practices of the Company. The NRC, in consultation with Risk Management Committee shall make a coordinated effort to have an integrated approach to the formulation of remuneration policy.
- NRC shall identify the list of members of core management team of the company which are one level below the MD/CEO/WTD and identify them as KMP as per the requirement of IRDAI guideline. NRC shall review this list at regular intervals, as required, but at least once in a year.
- NRC shall, in consultation with outside consultants, evaluate and recommend the form and amount of remuneration to the directors and make recommendations to the Board.
- Nomination & Remuneration Committee (NRC) shall review, and board shall approve a reward grid for Increment & Variable Pay. The NRC/ Board shall always maintain a fine balance between reasonableness and fairness, while making remuneration-related decisions.
- It shall be ensured that remuneration decisions on structuring, implementing & reviewing are made in an independent, informed, and timely manner at appropriate levels.
- Members of the board/NRC are not placed in a position of actual & perceived conflict of interests with respect to remuneration decisions. In case of any remuneration discussion/decision of directors and/or KMP, it shall be ensured that the concerned director and/or KMP shall not participate in the discussion/voting of the resolution. NRC may constitute processes and checks to identify and eliminate any potential conflict of interest from time to time.

- The criteria and policy on remuneration are subject to review by the Nomination & Remuneration committee & the Board of Directors of the Company annually.

4. Definitions:

- a. **Clawback** means a contractual agreement between the employee and the Company in which the employee agrees to return previously paid or vested remuneration to the Company under certain circumstances.
- b. **Committee** shall mean the Nomination & Remuneration Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Companies Act, 2013
- c. **Employees' Stock Option (ESOP)** means the option given to the MD/CEO/WTD, KMP's, or Employees of a company, if any, which gives such MD/CEO/WTD, KMP's, or Employees, the benefit or right to purchase, or to subscribe for, the shares of the Company at a future date at a pre-determined price.
- d. **Independent Directors** means Directors who have been appointed by Company in terms of Section 149 of Companies Act, 2013.
- e. **Key Managerial Personnel (KMP)** in relation to Company means members of the core management team of the Company, which would include the entire Senior Management Council (SMC), as identified by the Committee as such including but not limited to all whole-time directors or Managing Directors or Chief Executive Officer and the functional heads one level below the Managing Director or Chief Executive Officer, including the Chief Financial Officer, Appointed Actuary, Chief Investment Officer, Chief Risk Officer, Chief Compliance Officer and the Company Secretary
- f. **Malus** means an arrangement that permits the Company to prevent vesting of all or part of the amount of a deferred remuneration. Malus arrangement does not reverse vesting after it has already occurred.
- g. **Retention period** means a period of time, after the vesting of stock linked instruments, which have been awarded as variable pay during which they cannot be sold or accessed.
- h. **Risk and Control functions staff** means employees of the Company belonging to Risk Verticals, Internal Audit, Compliance, Fraud and Vigilance, Financial Control functions.
- i. **Share Linked Instruments means** in relation to remuneration of KMP shall mean (i) employee stock option schemes; ii) employee stock purchase schemes; (iii) stock appreciation rights schemes; (iv) any other instrument which is settled through issue of shares of the Company.

It is clarified that Share linked instruments where the ultimate payout is in cash such as Cash Linked Stock Appreciation Rights (CSARs), Phantom Stocks, etc. shall be treated as cash variable pay.

5. Remuneration Principles:

- a) The remuneration structure will be determined by the Nomination and Remuneration Committee who will ensure that:
 - The level and composition of remuneration is market competitive, reasonable, and sufficient to attract, retain and motivate MD/CEO/WTD, KMPs and all other employees required to efficiently run the company successfully.

- Remuneration components are aligned effectively with prudent risk taking to ensure that remuneration is adjusted for all types of risk taking.
 - Remuneration outcomes are symmetric with risk outcomes.
 - Specifically, for KMPs:
 - Remuneration pay-outs are sensitive to the Time Horizon of the Risk
 - The mix of cash, equity and other forms of remuneration will be consistent with risk alignment.
- b) NRC may revisit the principles basis industry and regulatory context, company context and emerging best practices from time to time.

6. Remuneration of MD/CEO/WTD and Key Managerial personnel

The compensation structure shall broadly comprise of the following:

- A. Fixed Pay
- B. Variable Pay

i. **Fixed pay:**

- The Fixed Pay should typically consist of elements like Basic Salary, Allowances, Perquisites as defined under the Income-tax Act, 1961, contribution towards retirals and all other fixed items of compensation.
- Fixed Pay increment shall be based upon/ determined by various parameters including :
 - merit increase matrix, which is based on the General Fulfilment of Role and Values (the “what” & “how” role is fulfilled).
 - competitive market positioning.
 - performance on the Company Key Performance Indicators (KPIs) (having weightage of 10%) including the minimum parameters specified in the IRDAI guidelines; and
 - any other factors/parameters as the NRC may deem fit and necessary.

It is clarified that performance on the minimum specified parameters in the IRDAI guidelines shall form integral part in the evaluation of fixed pay increments.

- Competitive Market Positioning: Company shall make efforts to position the Target CTC on the median of the chosen market benchmark for on Target. While providing the benchmark linked correction, along with performance rating, overall potential and role criticality will also be considered. Market linked correction shall be restricted at maximum of 15% of current Total Guaranteed Cash (TGC).

ii. **Variable Pay:**

a. **Composition of Variable Pay**

- Variable pay shall comprise of Share Linked Instruments and cash in the form of bonus or incentives and shall be paid out not more frequently than annually.
- Share Linked Instruments can be in the form of Employee Stock Options or any other instrument where the settlement, on vesting/exercise, happens in the form of shares.

- The company shall ensure that there is a proper balance between Fixed Pay and Variable Pay.
- KMPs of the Company shall not be issued/granted sweat equity shares.

b. Limits of Variable Pay

- Target Total Variable Pay

Target Variable Pay	MD & CEO- 65%	Other KMPs - 50%
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- 50% of the Target Total Variable pay will be paid in the form of cash bonus/incentive and balance 50% of the Total Variable pay shall be paid in the form of Share Linked Instruments.
- Notwithstanding anything contained in above clauses, a substantial portion of compensation i.e., at least 50% of fixed pay will be variable and paid based on individual, Company, and Ageas Global performance. The total variable pay shall not exceed 300% of the fixed pay.
- Notwithstanding anything contained in above clauses in case the variable pay is up to 200% of the fixed pay, a minimum of 50% of the variable pay and in case the variable pay is above 200%, a minimum of 70% of the variable pay shall be via share linked instruments.
- In the case of share linked instruments, the 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 in time shall not exceed 5% of the paid-up capital of the company.
- The value of the share linked instrument shall be determined basis fair value (calculated using black-Scholes model or any other model) of the Options at the date of grant.

c. Key Performance Indicators for Variable Pay (KPIs)

- Variable pay shall be in the form of “pay at risk”. Depending on performance and risk outcomes at individual, company-wide level, the variable pay shall be truly variable and can even be reduced to zero.
- The minimum parameters which shall be considered for performance assessment of all KMPs (including MD/CEO/WTD) for payment of variable pay shall be:
 - Overall financial soundness such as Net Worth position, solvency, growth in AUM, Net Profit etc.
 - Compliance with Expenses of Management Regulations
 - Claim efficiency in terms of settlement and outstanding.
 - Improvement in grievance redressal status/ position
 - Reduction in Unclaimed Amounts of policyholders
 - Persistency 37th Month to 61st Month
 - Overall Compliance status w.r.t. all applicable laws
- The KPIs mentioned above shall have at least 60% of total weightage in the performance assessment matrix of MD/CEO/WTD and at least 30% of total weightage in the performance assessment matrix of other KMPs individually.

- NRC may configure weightage for each of the above parameters suitably depending on the respective roles.
- In case of Chief Executive Officer/Whole Time Director/Managing Director Performance parameters (including above mentioned) and their weightages will be defined by the Nomination & Remuneration Committee of the Board separately at the beginning of the performance year.
- The below parameters shall be used to determine the variable pay payout of the KMPs (including MD/CEO/WTD):

Weightages of various scores to be considered as below:

Weightages	Ageas Score	AFLI Score (includes KPI specified above)*	Individual Score
	10%	50%	40%

Employees will receive scorings basis performance on Individual KPIs, AFLI KPIs and Ageas Global, each separately, on scale 1 to 7 with 7 being highest. Based on the rating, a pre-defined multiplier will be applied to calculate the variable pay payout.

Score multiplier to be considered as below:

Score	1 & 2	3	4	5	6	7
Multiplier	Nil	0.5	1	1.25	1.50	2.0

Calculation of Target Variable Pay:

Annual Gross Variable Pay \$= A+B+C	
Ageas Score (A)	Annual Fixed Pay * Target Variable Pay %* Weightage* Ageas Rating applicable Multiplier
AFLI Score (B)	Annual Fixed Pay * Target Variable Pay %* Weightage* AFLI Rating applicable Multiplier
Individual Score (C)	Annual Fixed Pay * Target Variable Pay %* Weightage*Individual Rating applicable Multiplier

d. Deferral of Variable Pay

- Of the total variable pay, at least 50% shall be deferred. The Deferred remuneration could be in the form of share linked instruments.
- The deferral period would be three years and the deferred variable pay shall vest equally over the vesting period.
- In the case where total variable pay is under INR 25 Lakhs, deferral arrangement may not be necessary.
- NRC may change the deferral quantum, deferral period and vesting schedule basis industry and

regulatory context, company risk context and emerging best practices from time to time.

- Upon resignation/retirement/death of the employee before the deferred bonus' pay dates, all deferred amounts will be paid basis the employment terms and/or Share Linked Instrument Plan, unless otherwise decided by Ageas Federal Life Insurance. In case of re-appointment after retirement the deferred pay due at the time of retirement (i.e., prior to reappointment) shall be paid only for the respective years to which it is originally deferred.
- In case of termination of employment on account of fraud/criminal offences, etc. or as per directives of court/tribunal/other competent authorities the deferred pay shall be forfeited.

e. Guaranteed Bonus

- No amount of bonus can be guaranteed to KMPs (including MD/CEO/WTD) except for hiring/sign-on bonus to be paid to new hire and be limited to first year of employment. The said bonus shall not form part of Fixed or Variable pay.

f. Severance Pay

- The Company will not grant severance pay other than accrued benefits like gratuity, pension etc. to KMPs (including MD/CEO/WTD) except in cases where it is mandatory by statute.

iii. Malus / Clawback Arrangement:

- The deferred variable pay in a year shall be subject to:

Malus arrangement wherein in case of subdued or negative financial performance (attributable to actions or inactions of KMP(s)(include MD/CEO/WTD)), the Company may withhold cash bonus or vesting of Employee Stock Options and may lapse unvested Employee Stock Options in accordance with the ESOP Plan.

Clawback arrangement wherein in case of gross negligence or misconduct or cause as defined in the Company's code of conduct, the KMPs (including MD/CEO/WTD) shall be liable to return previously paid or vested variable pay.

- The norms of claw back shall be decided by the Nomination & Remuneration Committee of the Board based on actual/realized performance of the year, legal enforceability, and verifiable measures of risk outcomes.
- NRC may invoke Malus and Clawback clause with respect to the KMPs in the following illustrative scenarios:
 - Negative trend in the above IRDAI defined minimum KPIs.
 - Significant reduction in Solvency Ratios
 - High Risk Audit Observation
 - Gross negligence, integrity breach, Reckless, or deliberate actions. Errors of judgment shall not be construed to be breaches under this note.
 - Material Misstatement of the company's results due to result of misconduct including fraud
 - Fraud that requires financial restatements
 - Poor compliance in respect of corporate governance and regulatory matters
 - Significant deterioration of financial health of the Company

- Any other situation where the Board and the Nomination & Remuneration Committee deems invoking Malus and/or Clawback provision is necessary and justified.
- While undertaking the review for the concerned person for the application of the Malus or the Clawback arrangement based on any trigger events, when determining accountability of the concerned person or group of persons, the Nomination and Remuneration Committee shall be guided by the principles of proportionality, culpability or proximity or nexus to the event or misconduct. Bonafide error/s of judgment where there is no misconduct, wilful or intentional breach by act/ omission or gross negligence or lack of integrity, may not be treated as breaches under this Policy.
- Prior to taking action the Management and the NRC shall ensure due regard to the Principles of Natural Justice.
- Unless otherwise specified, the time horizon for the applicability of malus/clawback clause shall be three years or the deferral period of the variable pay, whichever is higher, from the date of grant in case of share linked instrument and date of payment in case of cash bonus.
- On deciding to invoke Malus or Clawback, Nomination and Remuneration Committee will have power to take any of the following action basis the nature and severity of trigger.

In case of Malus Clause:

- Cancel part or full vesting of the deferred cash or share linked component due for vesting in that particular year.
- Cancel part or full vesting of entire unvested deferred cash or share linked component which are to be vested in future years.

In case of Clawback Clause:

- Recovery of part or full cash component of deferred variable pay paid over the applicable period.
- Recovery of part or full of benefit (in form of shares or cash equivalent of shares) accrued to the employee on account of exercise of share linked instrument.
- Forfeiture of part or full vested but unexercised share linked instrument vested during the applicable period.

7. Risk and Control Function Staff

- It has been a constant endeavor of the company to have a robust Risk Management and Control Mechanism. Based on the spirit of this intent the organization has separated the Risk and Control Functions from the Business functions.
- This primarily serves the following purpose:
 - It creates a strong culture of checks and balances ensuring prudent risk taking.
 - It eliminates any possible conflict of interest between revenue generation, risk management and control.
- The performance appraisal, fixed pay increments and variable pay payout will be determined in the same manner as specified for other employees in Clause 9 below. However, it shall always be ensured that the overall Variable Pay as well as the annual salary increment of Risk Control and Compliance Staff would be based on the performance on functional objectives and goals and shall not be based on the performance of business units which are subject to their control and/or oversight.

8. Independent Directors (IDs) & Non-Executive Directors (NEDs)

i. Criteria for Determining Qualifications, Positive Attributes & Independence of Director:

a. Qualifications of Independent Director:

An Independent director shall possess appropriate skills, experience, and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, operations, or other disciplines related to the company's business.

b. Positive attributes of Independent Directors:

An independent director shall be a person of integrity, who possesses relevant expertise and experience and who shall uphold ethical standards of integrity and probity; act objectively and constructively; exercise his responsibilities in a bona-fide manner in the interest of the company; devote sufficient time and attention to his professional obligations for informed and balanced decision making; and assist the company in implementing the best corporate governance practices.

c. Independence of Independent Directors:

An Independent director should meet the requirements of the Companies Act, 2013 and Corporate Governance Guidelines issued by Insurance Development Authority of India concerning independence of directors.

d. Tenure of Independent Director:

An Independent Director may be appointed for a term of upto 5 consecutive years and shall be eligible for re-appointment for second term on passing special resolution. No ID shall hold office for more than 10years. After completion of 10 years reappointment can be done only after cooling off period of atleast 3 years

ii. Age and Tenure of Non-Executive Director:

- The maximum age limit for Non-Executive Directors, including chairperson of the board, shall be 75 years and shall not continue on the Board after attaining 75 years of age.

iii. Remuneration of Non-Executive Directors and Independent Directors:

- NEDs shall be paid a sitting fee of Rs. 1,00,000/- for every meeting of the board and committee thereof attended by them as members. These fees are subject to change from time to time as per the decision of the Board and Directors, within statutory limits.
- In addition to the sitting fees, the Company may reimburse their expenses for participation in the Board and other meetings, subject to compliance with the provisions of the Companies Act, 2013.
- Fixed fees shall be limited to a maximum of Rupees Twenty Lakhs per annum.
- NEDs/IDs are not eligible for any share linked benefits of the company.

9. Other Employees

- In general, the principles laid down in Clause 5 above will be considered for governance and remuneration decisions related to other employees.
- The remuneration policy and procedures will be supported by a clear, transparent, and fair performance management process.

- The Compensation structure shall broad comprise of Fixed Pay and Variable Pay
- The Fixed Pay should typically consist of elements like Basic Salary, Allowances, Perquisites as defined under the Income-tax Act, 1961, contribution towards retirals and all other fixed items of compensation.

Performance Appraisal

- Employees shall be rated on a scale of 1 to 7 with 7 being the highest.
- During the annual review, each SMC member is expected to distribute performance ratings of his team members as far as possible close to the defined bell curve. Representative desired rating distribution is given below:

Rating Scale	1	2	3	4	5	6	7
Rating Description	Clearly Below Target	Below Target	Almost on Target	On Target	Above Target	Clearly Above Target	Exceptional
Rating Distribution	2%	8%	20%	40%	20%	8%	2%

Fixed Pay Increment

- Fixed Pay increment will be based upon/ determined by the merit increase matrix, which is based on the General Fulfilment of Role and Values (the “what” & “how” role is fulfilled)
- Eligible for employees whose appraisal score is 4 or above.
- Applicable inflation can be granted to employees with an appraisal score of 3, at management’s discretion.
- Fixed pay will not be reviewed for appraisal scores of 2 and below.
- Competitive Market Positioning: Company shall make efforts to position the Target CTC on the median of the chosen market benchmark for on Target. While providing the benchmark linked correction, along with performance rating, respective SMC feedback shall be considered on overall potential of the employee. Market linked correction shall be restricted at maximum of 15% of current Total Guaranteed Cash (TGC).
- Promotion Increment to be capped at 15%

Variable Pay

- Variable shall be in the form of Bonus/Incentive
- Variable Pay for Band (1-6A) shall be based on the achievement of clearly defined and pre-approved individual KPI’s and determined by merit increase matrix.
- Variable Pay for Band (7 & 8 Non-SMC) shall be based on the performance at the level of Ageas globally, the local business (AFLI) and the individual performance and is calculated as per below:

Weightages of various scores to be considered as below:

Weightages (Band 7 & 8) Non-SMC	Ageas Score	AFLI Score	Individual Score
	10%	50%	40%

Employees will receive scorings basis performance on Individual KPIs, AFLI KPIs and Ageas Global, each separately, on scale 1 to 7 with 7 being highest. Based on the rating, a pre-defined multiplier will be applied to calculate the variable pay payout.

Target Variable Pay

Target Variable Pay	(Band 7 & 8) Non-SMC – 30%
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Score multiplier to be considered as below:

Score	1 & 2	3	4	5	6	7
Multiplier	Nil	0.5	1	1.25	1.50	2.0

Calculation of Target Variable Pay:

Annual Gross Variable Pay \$= A+B+C	
Ageas Score (A)	Annual Fixed Pay * Target Variable Pay %* Weightage* Ageas Rating applicable Multiplier
AFLI Score (B)	Annual Fixed Pay * Target Variable Pay %* Weightage* AFLI Rating applicable Multiplier
Individual Score (C)	Annual Fixed Pay * Target Variable Pay %* Weightage* Individual Rating applicable Multiplier

- Most of the sales employees are covered under Sales incentive plans, whereas support staff are covered under Annual Bonus.
- No variable pay shall be paid for the employee who has tendered their resignation.
- No variable pay shall be paid for a rating of 2 and below.
- In the case of employees superannuating (retiring) from the services of the company in normal course, permanent disability, or death, during the year will be eligible for pro-rata performance bonus applicable to that year.