



Edelweiss Tokio Life Insurance Limited

**Remuneration Policy for Non-Executive Directors, MD/CEO/WTD, Key
Managerial Personnel and Other employees**

APPROVED BY BOARD OF DIRECTORS

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1. Background

The Insurance Regulatory and Development Authority of India has issued Guidelines on Remuneration of Directors and Key Managerial Personnel of Insurers (“Guidelines”) vide Ref no: IRDAI/F&A/GDL/MISC/141/6/2023 dated June 30, 2023. Further, in accordance with the Companies Act, 2013, the Nomination and Remuneration Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the Directors, key managerial personnel and other employees.

Accordingly, the remuneration policy is being revised in compliance to the provisions of Section 34A and all other applicable provisions of the Insurance Act, 1938, the Guidelines, and the Notifications/Guidelines/Circulars issued by the IRDAI, the Companies Act, 2013 and Rules framed thereunder and as may be amended from time to time.

2. Objectives

The Remuneration Policy shall serve the following objectives -

- i. Define framework for payment of remuneration to the Directors (Executive and Non-Executive), Key Managerial Personnel and other employees;
- ii. Ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors/employees of the quality required to run the Company successfully;
- iii. Ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- iv. Remuneration to Directors, key managerial personnel and senior management involves a balance between fixed and variable pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals;
- v. Formalize sound principles of corporate governance and responsible business conduct in line with applicable regulations;
- vi. Observe principles of remuneration practice that contribute to prudent risk management and not leading to risk taking that exceeds the risk tolerance limits of Edelweiss Tokio Life Insurance.

3. Scope

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

4. Compensation Philosophy

Edelweiss Tokio Life insurance compensation philosophy is designed to attract, develop and retain talent and drive a culture of performance and meritocracy, within the framework of prudent risk management and strategic alignment. The Company's approach to compensation is aimed to be market competitive in terms of pay based on the Company's capacity to pay, Company strategy as well as overall business performance.

5. Definitions

- i. **Board:** Board means Board of Directors of the Company
- ii. **Clawback:** 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.
- iii. **Committee:** Committee shall mean the Nomination & Remuneration Committee (NRC) of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Companies Act, 2013.
- iv. **Director:** Directors of the Company.
- v. **Fixed Pay:** Fixed Pay includes Basic Pay, allowances, perquisites (as defined under the Income-Tax Act, 1961), contribution towards superannuation / retirement benefits and all other fixed items of compensation.
- vi. **Independent Directors:** Independent Directors means Directors who have been appointed by the Company in terms of Section 149 of Companies Act, 2013.
- vii. **Key Managerial Persons (KMP):** KMP as defined in the IRDAI (Registration of Indian Insurance Companies) Regulations, 2022 and Guidelines for Corporate Governance for Insurers in India and means members of the core management team of the Company 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. Please refer 'Annexure' for the list of Key Managerial Person's.
- viii. **Malus:** 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.
- ix. **Remuneration:** Any money or its equivalent given or passed to any person for services rendered by him/her and includes perquisites as defined under the Income-tax Act, 1961.

- x. **Risk and Control functions:** Risk and Control functions staff means employees of the Company in Risk, Audit and Compliance functions.
- xi. **Stock Option:** Stock Option means the option given to the employees of a Company, if any, which gives such 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.
- xii. **Share Linked Instruments:** Share Linked Instruments in relation to remuneration of KMP shall mean (i) employee stock option schemes; ii) employee stock purchase schemes; and (iii) stock appreciation rights schemes.
- xiii. **Variable Pay:** Variable Pay includes cash performance bonus/incentive and/or Share Linked/ Cash Linked Instruments (CSARs/ Phantom Stocks) or any other instrument as may be allowed in accordance with the IRDAI Regulations/Guidelines as amended from time to time, given basis performance and includes measures of individual, unit, Company performance. This is financial compensation over and above the fixed pay.

6. Role of Nomination & Remuneration Committee

- i. The Nomination & Remuneration Committee (“Committee”) shall oversee and govern the compensation practices of the Company. The Committee in consultation with Risk Management Committee shall make a coordinated effort to have an integrated approach to the formulation of remuneration policy.
- ii. The Committee shall identify the list of members of core management team of the Company which are one level below the MD /CEO/ED and identify them as KMP as per the IRDAI Regulations/Guidelines. The Committee shall review this list at regular intervals, as required, but at least once a year.
- iii. The Committee shall appoint, evaluate performance and recommend the form and amount of remuneration to the Directors including MD/CEO/ED/ NEDs and KMPs and make recommendations to the Board. It shall ensure that remuneration decisions on structuring, implementing & reviewing are made in an independent, informed, and timely manner at appropriate levels. Remuneration of MD & CEO and ED shall be subject to further prior approvals of IRDAI, as may be applicable.
- iv. The NRC may recommend with reasons recorded in writing, removal of a Director, KMP subject to the provisions and compliance of the applicable rules and regulations and the policy of the Company.
- v. The Board/Committee shall ensure that the members of the Board/Committee 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. The Committee may conduct regular checks to identify and eliminate any potential conflict of interest from time to time.

- vi. The Remuneration Policy shall be reviewed annually by the Nomination & Remuneration Committee and the Board of Directors of the Company, or earlier in line with the strategy of the Company, changing market dynamics or regulatory requirements, if required.
- vii. The Committee shall ensure the following objectives are met regarding remuneration:
 - a. The level and composition of remuneration is market competitive, reasonable, and sufficient to attract, retain and motivate Directors, KMPs and all other employees required to efficiently run the Company successfully, within the Company's capacity to pay.
 - b. Remuneration components are aligned effectively with prudent risk taking to ensure that remuneration is adjusted for all types of risk.
 - c. Remuneration outcomes are symmetric with risk outcomes.
 - d. Remuneration pay-outs are sensitive to the time horizon of the risk.
 - e. The mix of cash based, equity/share-based, and other forms of remuneration are consistent with risk alignment.

7. Appointment and Remuneration of MD/CEO/WTDs and KMPs

i. Appointment of MD/CEO/WTDs and KMPs

- The Committee shall identify and ascertain the integrity, qualification, expertise, and experience of the person for appointment as the MD/CEO/WTD and Key Managerial Personnel and recommend to the Board his/her appointment, as per Company's Policy and the applicable laws and guidelines.
- The appointment shall be made basis adequate qualification, expertise, and experience for the position he/she is considered for appointment. The Committee has the authority to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the position.
- While appointing/re-appointing MD/CEO/WTD, the upper age limit will be as per the appointment terms and conditions, may be extendable on case to case basis, however, should not exceed 70 years.
- Subject to the statutory approvals required from time to time, the post of the MD&CEO or WTD shall not be held by the same incumbent for a continuous period of more than 15 years. Thereafter, the individual shall be eligible for re-appointment as MD&CEO or WTD in the Company, if considered necessary and desirable by the Board, after a cooling of atleast one year, subject to meeting other applicable conditions.
- Tenure of MD/CEO/WTD shall not exceed continuous period of 12 years if appointed by major shareholders/promoters. The Company shall seek approval from the Authority substantiating the rationale to extend the tenure till 15 years, whenever required.

ii. Remuneration of MD/CEO/WTDs & KMPs

The Remuneration structure of MD/CEO/Whole-Time Directors and Key Managerial Personnel shall broadly comprise of the following:

- a. Fixed Pay
 - b. Variable Pay
- a) **Fixed Pay:** Fixed Pay includes Basic Pay, allowances/ Flexible compensation structure options, perquisites (as defined under the Income-Tax Act, 1961), contribution towards retirement benefits and all other fixed items of compensation. Employees may be eligible for benefits as per Company policy on Leaves, Group Mediclaim Insurance, Group Term Insurance, Group Personal Accident Insurance, Loans, Car Lease Policy, Club membership, Study schemes and other Policies etc as determined by the Company from time to time.
- b) **Variable Pay:** Variable Pay includes performance cash bonus/incentive and/ or Share/ cash Linked Instruments (Long Term Incentive Plan) given basis performance and includes measures of individual, unit, Company performance. This is financial compensation over and above the fixed pay.

Long-term Incentive:

Long-term Incentive is applicable to eligible employees and may be administered through share/ cash linked plans. As a philosophy, long-term compensation is given to:

- 1) To align senior management behavior to long-term strategy of the Company
- 2) To create individual stake in Company's success
- 3) To retain and motivate key talent in the Company

iii. Composition of Variable Pay:

- Variable pay shall comprise of Share/ cash Linked Instruments and cash in the form of performance bonus or incentives.
- Share Linked Instruments can be in the form of Employee Stock Options, Employee Stock Purchase schemes, SARs where the settlement on vesting/exercise, happens in the form of shares or any other instrument as may be allowed in accordance with the IRDAI Regulations/Guidelines as amended from time to time.
- 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.

iv. **Limits of Variable Pay:**

- At least 50% of the Fixed Pay for the corresponding period, shall be variable and shall not exceed 300% of the Fixed Pay
- 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% of the fixed pay, a minimum of 70% of the variable pay, shall be via instruments as may be permitted by IRDAI from time to time.
- 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 of time shall not exceed 5% of the paid-up capital of the Company.

v. **Determination of Variable Pay**

- The variable pay shall be “pay-at-risk” and shall depend on the performance and risk outcomes at individual, business, company levels.
- The Variable Pay can be reduced to zero in case of reasonable deterioration of financial performance of the Company and other defined parameters as per the remuneration policy or in case of individual underperformance.
- The Variable Pay of KMPs (including MD/CEO/ED) shall be determined basis the performance assessment by the NRC/ Board.
- The Company Performance Parameters shall include at least the following Key Performance Indicators (KPIs) for determination of performance assessment of all KMPs for payment of variable pay and form the basis of revision of the Fixed Pay:
 - i. Overall financial soundness such as Net Worth position, solvency, growth in AUM, Net Profit etc.
 - ii. Compliance with Expenses of Management Regulations.
 - iii. Claim efficiency in terms of settlement and outstanding.
 - iv. Improvement in grievance redressal status/ position.
 - v. Reduction in Unclaimed Amounts of policyholders.
 - vi. Persistency 37th Month, 61st Month
 - vii. Overall Compliance status w.r.t. all applicable laws
- The above parameters shall constitute at least 60% of 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 other KMPs individually.
- The weightage for each of the KPIs may be configured suitably for MD/CEO/WTDs and other KMPs depending on their respective roles. The Company may also define additional KPIs which shall be in line with the Company’s business strategy and plan, such as customer related KPIs, KPIs related to specific lines of business, strategy and people related KPIs etc.

- Compensation & benefits may be reviewed periodically on the basis of market data of the relevant comparator group, internal equity considerations, performance and cost budgets of the Company. Individual level compensation and promotion decisions are linked to performance and potential.

vi. Deferral of Variable Pay

- Of the total variable pay, at least 50% shall be deferred. The Deferred remuneration shall be in the form of share/ cash linked instrument or any other instrument as may be allowed in accordance with the IRDAI Regulations/Guidelines as amended from time to time, as per the Long Term Incentive Plan of the Company.
- The deferral period would be for a minimum of three years and the deferred amount shall start vesting after one year of commencement of the deferral period. The deferral amount shall not vest faster than pro-rated over the three years. The actual deferral period shall be governed by the relevant Long-Term Incentive Plan.
- In case of retirement/ resignation/ termination/ death of a KMP prior to the deferral period, the deferred pay shall be treated as per the Long Term Incentive Plan of the Company, employment contract and the Company's policy. In case of reappointment on retirement, the deferred pay due at the time of retirement (ie prior to reappointment) shall be paid only for the respective years to which it is originally deferred. In case of termination from the services as per the directives of court/tribunal/other competent Authorities or termination by the Company in case of fraud/criminal offences, etc, the deferred pay shall be forfeited.
- No deferment of variable pay shall be required for an amount of up to Rs Twenty-Five lakhs for a particular year.

vii. Guaranteed Bonus

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, for the KMPs.

viii. Joining/Sign on Bonus

Joining or sign-on bonus may only be payable in the context of hiring new people and the grant will be limited to the first year of employment. The said bonus shall not form part of Fixed or Variable pay.

ix. Severance Pay

The Company will not grant severance pay other than accrued benefits like gratuity, pension etc. to KMPs except in cases where it is mandatory by statute. Severance pay does not include notice period pay.

8. Malus & Clawback Arrangement:

The entire variable pay in a year shall be subject to:

- Malus arrangement wherein in case of reasonable negative trend in performance of the defined parameters and/or relevant line of business arising not on account of gross negligence or misconduct of the KMPs, the Company may reduce or withhold cash bonus or vesting of share/ cash linked payment or may lapse unvested share/ cash linked payments.
- Malus and or Clawback may be invoked in cases such as gross negligence, integrity breach, misconduct, materially inaccurate financial statements due to the result of misconduct including fraud, fraud that requires financial restatements, misrepresentation of any facts or data to stakeholders/ authorities with a malafide intent, fraud or cause as defined in the Company's code of conduct, poor compliance in respect of corporate governance and regulatory matters, the KMP shall be liable to return previously paid or vested variable pay or/ and the Company may reduce or withhold cash bonus or vesting of share/ cash linked payment or may lapse unvested share/ cash linked payments.
- The situation, norms of malus & claw back shall be decided by the Nomination & Remuneration Committee of the Board based on actual/realized performance of the Company, legal enforceability and verifiable measures of risk outcomes.
- The Malus and Claw-back clauses shall form part of the employment contracts with KMPs.
- While determining the causes for Negative trend in the above defined minimum KPIs, Nomination and Remuneration Committee may take into consideration whether the deterioration was for factors within control or whether it was on account of conditions outside of control of the Company or person and other relevant factors like global market headwinds, industry performance, changes in legal/regulatory regime, force majeure events like occurrence of natural disasters, pandemic, other socio-economic conditions etc.
- 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 Committee shall ensure due regard to the Principles of Natural Justice.
- Unless otherwise specified, the time horizon for the applicability of malus and clawback clause shall be the deferral period.

9. **Appointment and Remuneration of Independent Directors (ID) and Non-Executive Directors (NED)**

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.

i. **Qualifications of IDs/ NEDs**

An Independent director/ NED 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.

ii. **Positive attributes of Independent Directors/ NEDs**

An independent director/ NED 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/her responsibilities in a bona-fide manner in the interest of the Company; devote sufficient time and attention to his/her professional obligations for informed and balanced decision making; and assist the Company in implementing the best corporate governance practices.

iii. **Independence of Independent Directors**

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

iv. **Age and Tenure of Non-Executive Directors**

- The maximum age limit of 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.
- 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 Independent Director shall hold office for more than two consecutive terms, beyond a period of 10 years. After completion of 10 years, reappointment of such Independent Director can be done only after cooling off period of atleast 3 years.

v. **Remuneration of Non-Executive Directors**

- The Committee will recommend the remuneration to be paid to the Non-Executive Directors and Independent Directors to the Board for their approval.
- Remuneration shall be limited to a maximum of Rupees Twenty Lakhs per annum for Non-Executive Directors.
- If the Chairperson of the Company is a Non-Executive Director, the remuneration may be decided by the Board of Directors.
- In addition to above, the Non-Executive Director and Independent Director may receive remuneration by way of sitting fees and the Company may reimburse their expenses, for attending meetings of the Board or Committee, subject to compliance with the provisions of the Companies Act, 2013,
- Non-Executive Directors and Independent Directors are not eligible for any equity linked benefits of the Company.

10. Remuneration of Other Employees

For other employees, the MD & CEO and Chief Human Resources Officer shall be responsible for execution of the compensation strategy and plan (including fixed pay and variable pay) for the Company.

The Remuneration structure of other employees shall broadly comprise of the following. The compensation structure shall be a prudent mix of Fixed Pay, performance based variable pay with higher percentage of variable pay at senior levels. Long Term Incentive Plans may be granted to critical talent.

- **Fixed Pay:** Fixed Pay includes Basic Pay, allowances/ Flexible compensation structure options, perquisites (as defined under the Income-Tax Act, 1961), contribution towards retirement benefits and all other fixed items of compensation. Employees may be eligible for benefits as per Company policy on Leaves, Group Mediclaim Insurance, Group Term Insurance, Group Personal Accident Insurance, Loans, Car Lease Policy, Study Schemes and other Policies as determined by the Company from time to time.
- **Performance based Variable Pay:**
Variable pay includes performance bonus, cash based incentives, LTIP plans, Share/ cash Linked Instruments which can be settled in cash or shares as short term and/or long term pay.
Variable Pay shall be based on individual and Company performance and is not a guaranteed part of compensation. Sales incentives for Sales employees shall be based largely on individual performance.

- Compensation & benefits may be reviewed periodically on the basis of market data of the relevant comparator group, internal equity considerations, performance and cost budgets of the Company. Individual level compensation and promotion decisions are linked to performance and potential.
- Joining or sign-on bonus shall be granted in the context of hiring new employees from the market.
- The Company may support the growth of critical or emergent skills by extending a retention bonus, long-term reward or any other compensation & benefits to relevant employees, as deemed fit and as applicable.
- In case of employee retention, special bonus, increases/ market correction, role/ level movements etc may be granted on a case to case basis, all such exceptions will be approved by the CHRO.
- To avoid potential conflict of interests that may compromise the integrity and objectivity of the employees in control functions, their remuneration shall be predominantly based on the performance of their functional objectives and goals and shall not be linked to the performance of business units which are subject to their control and/or oversight.

11. Accounting (KMPs)

- In case the Annual Remuneration of MD/CEO/WTD and other KMPs individually exceeds Rs 4 crore, such excess shall be borne by the shareholders and debited to P&L 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/ P&L 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/ P&L account as the case may be.

Approval and Renewal of Implementation:

- Appointment/ Re-appointment or modification in the remuneration, if any, of MD/CEO/WTD requires prior approval of IRDAI as per section 34 A of the Insurance Act, 1938.
- In respect of remuneration of the MD/CEO/WTDs, no revision shall be permitted by the IRDAI before the expiry of one year from the date of earlier approval.
- The cost of remuneration paid to MD/CEO/WTD/KMPs shall be borne by the Company.

12. Review and Implementation

- The Committee and the Board will review the remuneration policy at least on an annual basis and ensure that the policy remains appropriate for its intended purpose. The Committee and Board may make due changes in the policy as suited for the strategic direction of the Company and as required by the regulations and applicable laws.
- The Committee shall be responsible for monitoring & implementing this policy.
- This Policy comes into effect from Financial Year 2023-24.

Annexure

Annexure: List of KMPs

1. MD & CEO
2. Executive Director
3. Chief Financial Officer
4. Chief Investment Officer
5. Appointed Actuary
6. Chief Risk Officer
7. Chief compliance Officer, Head Legal, Secretarial & Audit
8. Chief Distribution Officer
9. Chief Marketing Officer
10. Chief Human Resources Officer
11. Chief Operating Officer