

# Aditya Birla Sun Life Insurance Company Limited

## Executive Remuneration Philosophy/Policy (Version 7.0)

Year	Date of approval by Nomination and Remuneration Committee	Date of Approval by Board of Directors	Version	Nature of Change
2014-2015	March 30, 2015	March 30, 2015	1.0	Formulated the Policy
2015-2016	January 27, 2016	January 29, 2016	2.0	Amended clause (II) of the Policy for Covered Executives
2016-2017	July 29, 2016	July 29, 2016	3.0	Alignment with the Articles of Association
2016-2017	October 25, 2016	October 25, 2016	4.0	Amended to align with IRDAI Circular dated August 5, 2016
2017-18	October 27, 2017	October 27, 2017	5.0	Amended variable clause of MD remuneration
2018-19	October 25, 2018	October 25, 2018	6.0	Annual Review – No Change
2019-20	January 23, 2020	January 23, 2020	7.0	Amended in Appendix I

## **Executive Remuneration Philosophy/Policy (Version 7.0)**

Aditya Birla Sun Life Insurance Company Limited, ("the Company"), an Aditya Birla Group Company adopts/shall adopt this Executive Remuneration Philosophy/Policy as applicable across Group Companies. This philosophy/ policy is detailed below.

### **Aditya Birla Group: Executive Remuneration Philosophy/Policy**

At the Aditya Birla Group, we expect our executive team to foster a culture of growth and entrepreneurial risk-taking. Our Executive Remuneration Philosophy/Policy supports the design of programs that align executive rewards – including incentive programs, retirement benefit programs, and promotion and advancement opportunities – with the long-term success of our stakeholders.

#### *Our business and organizational model*

Our Group is a conglomerate and organized in a manner such that there is sharing of resources and infrastructure. This results in uniformity of business processes and systems thereby promoting synergies and exemplary customer experiences.

#### *I. Objectives of the Executive Remuneration Program*

Our executive remuneration program is designed to attract, retain, and reward talented executives who will contribute to our long-term success and thereby build value for our shareholders.

Our executive remuneration program is intended to:

1. Provide for monetary and non-monetary remuneration elements to our executives on a holistic basis
2. Emphasize "Pay for Performance" by aligning incentives with business strategies to reward executives who achieve or exceed Group, business and individual goals.

#### *II. Covered Executives*

Our Executive Remuneration Philosophy/Policy applies to the following:

1. Directors of the Company:
2. Key Managerial Personnel: Chief Executive Officer and equivalent (eg: Deputy Managing Director), Chief Financial Officer and Company Secretary.
3. Senior Management:

### **Policy for appointment and remuneration**

#### *Appointment Criteria and Qualifications*

The Nomination and Remuneration Committee (the "Committee") shall appoint Directors and individuals in Senior Management according to the process which enable the identification of individual who are qualified to become Directors and who may be appointed in senior management.

The Committee while making appointments to the Board assess the approximate mix of diversity, skills, experience and expertise. The Committee shall consider the benefits of diversity in identifying and recommending persons to Board membership and shall ensure no member is discriminated on the grounds of religion, race, Origin, sexual orientation or any other physical or personal attribute.

### *III. Business and Talent Competitors*

We benchmark our executive pay practices and levels against peer companies in similar industries, geographies and of similar size. In addition, we look at secondary reference (internal and external) benchmarks in order to ensure that pay policies and levels across the Group are broadly equitable and support the Group's global mobility objectives for executive talent. Secondary reference points bring to the table, the executive pay practices and pay levels in other markets and industries, to appreciate the differences in levels and medium of pay and build in as appropriate for decision making.

### *IV. Executive Pay Positioning*

We aim to provide competitive remuneration opportunities to our executives by positioning target total remuneration (including perks and benefits, annual incentive pay-outs, long term incentive pay-outs at target performance) and target total cash compensation (including annual incentive pay-outs) at target performance directionally between median and top quartile of the primary talent market. We recognize the size and scope of the role and the market standing, skills and experience of incumbents while positioning our executives.

We use secondary market data only as a reference point for determining the types and amount of remuneration while principally believing that target total remuneration packages should reflect the typical cost of comparable executive talent available in the sector.

### *V. Executive Pay-Mix*

Our executive pay-mix aims to strike the appropriate balance between key components: (i) Fixed Cash compensation (Basic Salary + Allowances) (ii) Annual Incentive Plan (iii) Long-Term Incentives (iv) Perks and Benefits

Annual Incentive Plan:

We tie annual incentive plan pay-outs of our executives to relevant financial and operational metrics achievement and their individual performance. We annually align the financial and operational metrics with priorities/ focus areas for the business.

Long-Term Incentive:

Our Long-term incentive plans incentivize stretch performance, link executive remuneration to sustained long term growth and act as a retention and reward tool.

We use stock options as the primary long-term incentive vehicles for our executives as we believe that they best align executive incentives with stockholder interests.

We grant restricted stock units as a secondary long term incentive vehicles, to motivate and retain our executives.

#### *Performance Goal Setting*

We aim to ensure that for both annual incentive plans and long term incentive plans, the target performance goals shall be achievable and realistic.

Threshold performance (the point at which incentive plans are paid out at their minimum, but non-zero, level) shall reflect a base-line level of performance, reflecting an estimated 90% probability of achievement.

Target performance is the expected level of performance at the beginning of the performance cycle, taking into account all known relevant facts likely to impact measured performance.

Maximum performance (the point at which the maximum plan payout is made) shall be based on an exceptional level of achievement, reflecting no more than an estimated 10% probability of achievement.

#### *VI. Executive Benefits and Perquisites*

Our executives are eligible to participate in our broad-based retirement, health and welfare, and other employee benefit plans. In addition to these broad-based plans, they are eligible for perquisites and benefits plans commensurate with their roles. These benefits are designed to encourage long-term careers with the Group.

#### *Other Remuneration Elements*

Each of our executives is subject to an employment agreement. Each such agreement generally provides for a total remuneration package for our executives including continuity of service across the Group Companies.

We limit other remuneration elements, for e.g. Change in Control (CIC) agreements, severance agreements, to instances of compelling business need or competitive rationale and generally do not provide for any tax gross-ups for our executives.

#### *Risk and Compliance*

We aim to ensure that the Group's remuneration programs do not encourage excessive risk taking. We review our remuneration programs for factors such as, remuneration mix overly weighted towards annual incentives, uncapped pay-outs, unreasonable goals or thresholds, steep pay-out cliffs at certain performance levels that may encourage short-term decisions to meet pay-out thresholds.

#### *Claw back Clause:*

In an incident of restatement of financial statements, due to fraud or non-compliance with any requirement of the Companies Act 2013 and the rules made thereafter, we shall recover from our executives, the remuneration received in excess, of what would be payable to him / her as per restatement of financial statements, pertaining to the relevant performance year.

The Group and Business Centre of Expertise teams will assist the Nomination & Remuneration Committee in adopting, interpreting and implementing the Executive Remuneration Philosophy/Policy. These services will be established through "arm's length", agreements entered into as needs arise in the normal course of business.

## **Appendix I: Managing Director/Whole Time Director/Chief Executive Office Remuneration**

### **1.0 Objective :**

To ensure effective governance of Compensation and alignment of remuneration to performance and prudent risk taking, in accordance with the requirements specified under IRDA circular dated August 5, 2016 'Guidelines on Remuneration of Non- Executive Directors and Managing Directors/ Chief Executive Officer/ Whole Time Directors of insurer'.

### **2.0 Coverage & Applicability**

- ❖ These conditions are applicable to Managing Director/ Whole Time Director and Chief Executive Officer.
- ❖ These conditions will be read along with the Executive Remuneration Policy/Philosophy of the Company.

### **3.0 Remuneration Conditions**

- ❖ Remuneration shall be reasonable, considering relevant factors including the industry practice, competency, competition and grade. It will be a mix of Fixed Salary, Valued and Non-Valued Perquisites / Benefits, Retirals, Annual Bonus, Long Term Deferred Cash Plans and ESOP's with risk alignment.
- ❖ Remuneration shall be adjusted for all types of risk such as credit, market and liquidity risks, Further, Remuneration payouts are sensitive to the time horizon of the risk and Remuneration outcomes shall be symmetric with risk outcomes.
- ❖ The Annual Bonus and Long Term Deferred cash plans would be linked to comprehensive business performance, both quantitative and qualitative, over a short term and long-term period. Benefits are defined as Total Cost to Company i.e. Salary, Retirals and other Benefits and will include imputed value of benefits like Housing and Car. The MD/CEO/WTD remuneration is designed/modified basis the achievement of the goal sheet parameters. The goal sheet parameters have both qualitative and quantitative elements of risk adjustments. The goal sheet achievement against each parameter is reviewed by the highest authority on a yearly basis .As per the business strategies and industry practices, a Variable Pay (constituting of annual performance pay and part of the deferred performance pay payable for the year) exceeding 60% of the Total Pay (as defined above) will be considered as 'Substantial' Pay and in such case an appropriate portion of the Variable Pay will be deferred over minimum of 3 years from the date of pay-out of the initial tranche.

- ❖ *Clawback*: In an incident of restatement of financial statements, due to fraud or non-compliance with any requirement of the Companies Act 2013 and the rules made thereafter, we shall recover from our executives, the remuneration received in excess, of what would be payable to him / her as per restatement of financial statements, pertaining to the relevant performance year. For cases of separation or exited executives the claw back clause will come into effect only when the same is recommended by the Nomination and Remuneration Committee and approved by the Board.
- ❖ *Severance Pay*: Any severance agreement will be recommended by the Nomination and Remuneration Committee and approved by the Board.

These remuneration conditions would be governed by the relevant provisions of the Insurance Act 1938, read along with IRDA circulars and related guidelines on remuneration of Managing Director/ Whole Time Director and Chief Executive Office as applicable from time to time. The Policy shall be subject to Annual Review.