REMUNERATION POLICY

Shriram Life Insurance Company Limited

I. PREAMBLE

This policy has been formulated in compliance with the provisions of the Companies Act, 2013, Insurance Regulatory and Development Authority of India (Remuneration of Non-executive Directors of Private Sector Insurers) Guidelines, 2016 and Insurance Regulatory and Development Authority of India (Remuneration of Chief Executive Officer / Whole-time Director/ Whole-Time Director/Managing Director of Insurers) Guidelines, 2016.

II. DEFINITIONS

"Board" means Board of Directors of the Company.

"Company" means "Shriram Life Insurance Company Limited" or "SLIC"

"Employee Stock Option Scheme" means the SLIC Employee Stock Option Scheme 2013 or SLIC ESOP 2013

"Independent Director" means a director referred to in Section 149 (6) of the Companies Act, 2013.

"Key Management Person" or "KMP" means a member of the core management team of an insurer including all whole-time directors/ Whole-Time Director/Managing Directors/ CEO and the functional heads one level below the MD/CEO, including the CFO, Appointed Actuary, Chief Investment Officer, Chief Risk Officer, Chief Compliance Officer and Company Secretary."

"Nomination and Remuneration Committee or "NRC" shall mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Companies Act, 2013.

"Policy or This Policy" means, "Remuneration Policy."

"Remuneration" means 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.

"IRDAI" means Insurance Regulatory and Development Authority of India.

"Senior Management" means personnel of the Company who are members of its core management team excluding Board of Directors. This would include all members of management one level below the executive directors, including all the functional heads.

III. GUIDING PRINCIPLES

The Policy ensures that

a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully;

b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and,

c) Remuneration to Directors, Key Managerial Personnel and Senior Management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

The Policy shall be disclosed in the Directors Report.

IV. ROLE OF THE NOMINATION AND REMUNERATION COMMITTEE

The role of the Committee shall be to ensure compliance of the relevant provisions of the Companies Act, 2013 and Insurance Act, 1938 and amendments and rules etc made thereunder for the time being in force and also IRDAI (Remuneration of Non-executive Directors of Private Sector Insurers) Guidelines, 2016 and IRDAI (Remuneration of Chief Executive Officer / Whole-time Director/ Whole-Time Director/Managing Director of Insurers) Guidelines, 2016.

V. PROVISIONS RELATING TO REMUNERATION OF CHIEF EXECUTIVE OFFICER/WHOLE-TIMEDIRECTOR / MANAGING DIRECTOR / KMP / SENIOR MANAGEMENT

a) **Remuneration of CEO, Whole-Time Director (WTD) and Managing Director (MD):**

The remuneration of CEO and Whole-Time Director/Managing Director inclusive of, will be determined by the Nomination and Remuneration Committee and recommended to the Board for approval. Wherever required, the remuneration of CEO and Whole-Time Director/Managing Director shall be subject to the approval of the shareholders of the Company, Central Government and / or Insurance Regulatory Development Authority of India (IRDAI), in accordance with the applicable provisions thereof.

The remuneration and commission to be paid to CEO and Whole-Time Director/Managing Director shall be as per the applicable statutory provisions of the Companies Act, 2013 read with the Insurance Act, 1938 and amendments and rules made there-under for the time being in force and also IRDAI (Remuneration of Non-executive Directors of Private Sector Insurers) Guidelines, 2016 and IRDAI (Remuneration of Chief Executive Officer / Whole-time Director/ Whole-Time Director/Managing Director of Insurers) Guidelines, 2016 issued by IRDAI.

The Remuneration to be paid to CEO, Whole-Time Director and Managing Director has to be adjusted for all types of risk and should be symmetric with risk outcomes & payouts need to be sensitive to the time horizon of risk. The mix of cash, equity and other forms of remuneration must be consistent with risk alignment. The risk adjusted methods should preferably have both quantitative and judgmental elements

The following are the minimum parameters which needs to be taken into account in implementation of risk adjustment.

- Persistency
- Solvency
- Grievance Redressal
- Expenses of Management
- Claim settlement
- Claim repudiations
- Overall Compliance status
- Overall financial position such as Net-Worth Position of Insurer, Asset under Management (AUM) etc.

The above parameters are only indicative; The Company may formulate any other parameters which should be in line with the Business Plan of the Company and prior approval of the Board.

FIXED PAY:

The Company should ensure that the fixed portion of remuneration is reasonable taking into account all relevant factors.

VARIABLE PAY COMPOSITION AND DEFERRAL:

The Company should ensure that there is a proper balance between fixed pay and variable pay. At higher levels of responsibility, the proportion of variable pay may be higher. The Company should ensure the following while formulating Variable pay composition:

- The variable pay could be in cash, stock linked instruments or mix of both. However, Employees Stock Option Plan (ESOP) may be excluded from components of variable pay.
- The deterioration in the financial performance of the Company and the other parameters specified above should generally lead to a contraction in the total amount of variable remuneration paid.
- Where the variable pay constitutes a substantial portion of the total pay [50% or more], an appropriate portion of such variable pay [such as 40 % to 60 % of such variable pay] must be deferred over a period of not less than of 3 years.
- There should be a proper balance between the cash and stock / share components (other than ESOP) in the variable pay in case the variable remuneration contains stock or equity share linked instruments (other than ESOP).

ESOP :

The Company should ensure that the ESOP is kept outside the computation of the total remuneration but the extent of ESOP should be reasonable. The details of ESOP granted should also be disclosed in terms of the disclosure requirements stipulated for the financial statements of the Insurers.

In case the shares of the Company are offered as ESOPs to Managing Director / Chief Executive Officer / Whole Time Directors, then:

i. If the CEO/MD/WTDs is one of the promoters / investors or directly related to the promoters, then the same would be governed by the provisions of SEBI (Issue of Sweat Equity) Regulations, 2002 as amended from time to time except those relating to pricing of shares. The manner of pricing of shares should be disclosed upfront to the Authority.

ii. In other cases, the same would be governed by the SEBI's ESOP guidelines.

SWEAT EQUITY:

In case the shares of the company are issued as Sweat Equity, then the same will be governed by the provisions of the Sweat Equity Regulations issued by SEBI.

VARIABLE PAY TIMING

In case of deferral arrangements of variable pay, the deferral period should not be less than three years. Remuneration payable under deferral arrangements should vest no faster than on pro rata basis.

CLAWBACK

i. In case of deferral remuneration, in the event of any negative trend in the parameters specified above and/or the relevant line of business in any year during the vesting period, any unvested/unpaid portions are to be clawed back. However, while exercising such provisions due consideration may be given to the actual/realized performance of the insurer.

   For legal enforceability, the claw back system should be driven by observable and verifiable measures of risk outcomes. The Company may put in place appropriate mechanism to incorporate claw back mechanism in respect of variable pay, linked to such parameters as are defined above.

ii. GUARANTEED BONUS

(i) The Company should ensure that the guaranteed bonuses should not be part of remuneration plan. Therefore, joining / sign on bonus should only occur in the context of hiring new staff and be limited to first year. However, payment of such bonus may be made beyond the year of joining.

(ii) However, in case such guarantees are built in, payment thereof should be in the form of ESOPs only since payments in cash upfront would create perverse incentives and promote undue risk taking.

(iii) The Company should not grant severance pay other than accrued benefits (gratuity, pension, etc.) to MD/ CEO/WTDs without the prior approval of the Board. Severance pay does not include notice period pay.

The Company should ensure that the Quantitative and qualitative disclosures on remuneration are disclosed in the Annual Report.

GENERAL PROVISIONS:

The Company should ensure that there is no revision in the remuneration till the expiry of one year from the date of earlier approval.

The Company should ensure that in case the annual remuneration of the MD/ CEO/ WTDs exceeds Rs.1.50 crores (including all perquisites plus bonuses etc., by whatsoever names), such excess shall be borne by the Shareholders' account.

The Company should ensure that no remuneration is paid to MD/CEO/WTDs by any of the promoter / investor or by the group companies of the promoters'/investors' companies.

VI. PROVISIONS RELATING TO REMUNERATION OF NON-EXECUTIVE / INDEPENDENT DIRECTOR(S)

a) Commission to Non-Executive / Independent Director(s)

Subject to the approval of the Board and the Shareholders in accordance with the statutory provisions of the Companies Act, 2013, and the rules made thereunder, the Non-Executive / Independent Directors may be paid profit linked commission from time to time, subject to the insurer making profits. Such remuneration, however, shall not exceed Rs. Ten lakh per annum for each such director excluding Chairman. For the Chairman of the Board, the remuneration may be decided by the Board of Directors of the company.

Subject to the overall limit in this regard, the Board may, with mutual agreement with such director, determine and pay different commission, to each independent director.

b) **Sitting Fees and reimbursement of expenses**

The Company may pay sitting fees to the Non- executive directors/Independent Directors and reimburse their expenses for attending meetings of the Board or Committee thereof. Provided that the amount of such fees shall not exceed the maximum amount as provided in the Companies Act, 2013, per meeting of the Board or Committee.

The Board may pay different sitting fees, to each independent director, as may be mutually agreed with such director.

c) **Stock Options**

An Independent Director shall not be entitled to any units under Employee Stock Schemes of the Company.

The Company may, in line with applicable provisions of Companies Act, 2013 read with Insurance Act, 1938 and amendments and rules thereunder, wherever applicable, grant units under Employee Stock Schemes of the Company to any non-executive director. or executive director.

d) **Engagement for Professional Services**

The Company may, in line with applicable provisions of Companies Act, 2013 read with Insurance Act, 1938 and amendments and rules thereunder, wherever applicable, engage any non – executive director to provide professional services from time to time. Any such engagement for professional services, shall be made if NRC of the Company, is of the opinion that the Director possesses the requisite qualification for practise of profession.

VII. PROVISIONS RELATING TO REMUNERATION OF KMP/SENIOR MANAGEMENT

KMP (other than Whole-Time Director/Managing Director) and Senior Management shall be eligible for a remuneration inclusive of fixed pay, perquisites, allowances, short term/ long term incentives, Employee Stock Options and other components as may be approved by NRC and as per compensation strategy / framework of the Company from time to time.

VIII. DEVIATIONS FROM THIS POLICY

Deviations on elements of this policy in extraordinary circumstances, when deemed necessary, in the interests of the Company, will be made if there are specific reasons to do so in an individual case.