



Tata AIG General Insurance Company Limited

Remuneration Policy

Policy	Remuneration Policy
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Prepared by	Secretarial Department /Human Resource Department
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Background:

Insurance Regulatory & Development Authority of India (“IRDAI”) has issued revised guidelines on “Remuneration of Directors and Key Managerial Persons of Insurers” on June 30, 2023, which is applicable from Financial Year 2023-24 onwards. Tata AIG General Insurance Company Limited (“the Company”) currently has a Remuneration Policy (“the Policy”/“this Policy”) which defines its formal compensation philosophy to build a high-performance culture and one that drives long term commitment to its vision and goals. In view of the new Guidelines, this Policy has been revised to provide a framework to govern compensation of KMPs and shall apply to them in addition to the Non-executive Directors, MD & CEO and/or whole time directors.

This Policy is applicable from Financial Year 2023-24 onwards and for such period/s as specified in the Policy from time to time.

Remuneration Policy:

I. Objective:

- a. To ensure that the compensation practices are within the regulatory framework stipulated from time to time by IRDAI or any other relevant regulatory body.
- b. To ensure effective governance of compensation and alignment of compensation practices with prudent risk taking.
- c. To lay down the remuneration policy for Non-executive Directors and Non-executive Chairman

II. Coverage:

- a. This Policy shall be applicable to Key Managerial Personnel (KMP) who shall be full-time employees of the Company:
 - I. Managing Director & CEO/Whole time Director
 - II. Chief Financial Officer
 - III. Chief Investment Officer
 - IV. Chief Claims Officer
 - V. Head- Consumer Lines
 - VI. Head- Commercial Lines
 - VII. Chief Operating Officer
 - VIII. Appointed Actuary
 - IX. Chief Compliance Officer
 - X. Chief Human Resources Officer
 - XI. Chief Underwriting Officer
 - XII. Chief Risk Officer
 - XIII. Company Secretary
- b. Non-executive Directors (including independent directors and non-executive chairman)

III. Governance Structure for Compensation:

- a. The Nomination and Remuneration Committee (“NRC”) has been constituted for framing, reviewing and implementation of the Company’s Remuneration policy on behalf of the Board and its role is as set out in the NRC Charter.

IV. Principles for Determination of Compensation for KMPs:

Compensation to KMPs shall be determined based on the following principles:

- a. The level and composition of compensation is reasonable and sufficient to attract, retain and motivate the Key Managerial Personnel of the quality required to run the Company successfully, which means compensation should be:
 - market competitive ('market' for every role is defined as companies from which the Company attracts talent or companies to which the Company loses talent).
 - driven by the role played by the individual.
 - reflective of the size of the Company, complexity of the sector / industry / Company's operations and the Company's capacity to pay.
- b. Linkage of compensation to appropriate performance benchmarks.
- c. Compensation outcomes are symmetric with risk outcomes and pay-outs thereof are sensitive to the time horizon of the risk.
- d. Compensation structure will have a proper balance between Fixed Pay and Variable Pay.
- e. The deterioration in the financial performance of the Company / business segment/ function/ individual can lead to a contraction in the total amount of variable pay, which can even be reduced to zero for a particular year depending on the performance outcome of the year for the individual or the Company or both.

V. Remuneration Policy for KMPs and other employees pursuant to IRDAI guidelines dated June 30, 2023 on Remuneration of Directors and Key Managerial Persons of Insurers

a. Governance Framework:

- 1.1 The management will prepare annual financial and strategic plan for the Company that will form the basis for formulating the Company Key Performance Indicators (KPI) which will be presented to NRC and the Board of Directors. The KPI will include financial, compliance and risk parameters.
- 1.2 The NRC will define Key Performance Indicators (KPIs) for the Managing Director & CEO and other whole-time Directors (if any) and KMPs based on the financial and strategic plans approved by the Board, and which shall at least include the following parameters:

1	Overall financial soundness measures which must include Net Profit with a minimum Solvency ratio > 1.5
2	Compliance with Expenses of Management Regulations
3	Claim efficiency in terms of settlement and outstanding
4	Improvement in grievance redressal status
5	Reduction in Unclaimed amounts of policyholders
6	Renewal rate
7	Overall Compliance status with respect to all applicable laws

The above parameters shall constitute at least 60% of the total weightage of the performance assessment matrix of MD & CEO and WTD (if any) and at least 30% of the total weightage in the performance assessment matrix of other KMPs individually.

NRC will have the discretion to configure the weightage of each performance parameter suitably for MD & CEO and WTD (if any) and other KMPs depending on their respective roles.

The employees engaged in internal audit, compliance and risk control functions are compensated independent of business areas they oversee, and the compensation of such employees is in line with rest of the Company. Compensation will be aligned to both financial and non-financial indicators of performance including controls like risk management, process perspective, customer perspective and others for the Company.

- 1.3 The NRC will recommend to the Board for approval of the fixed pay and variable pay that includes cash bonus and ESOPs for the MD & CEO and WTD (if any). This will be subject to necessary approvals from the regulators and shareholders, wherever applicable. For KMPs other than MD & CEO, the NRC will be the approving authority for fixed and variable pay.
- 1.4 For MD & CEO, WTD (if any) and other KMPs, the NRC will review and approve the Company Key performance indicators for variable pay and assess the Company achievement against such norms. Based on Company performance assessment and individual performance assessment, for MD & CEO and WTD (if any), the NRC will recommend the variable pay to the Board for approval. The NRC may also recommend 'nil' variable pay based on its assessment.
- 1.5 The Chief Human Resources Officer ("CHRO") or his equivalent will be responsible for execution of the remuneration and compensation strategy (covering both fixed pay and variable pay) for the Company in line with the Remuneration Policy.
- 1.6 The NRC will work closely with the Risk Management Committee of the Board to ensure effective alignment between remuneration and prudent risk taking.

2. Remuneration structure to have an integrated approach for fixed and variable pay:

- 2.1. To ensure effective alignment of remuneration with prudent risk taking, the NRC will consider adherence to the risk framework in conjunction with business targets. The remuneration payout schedules will be sensitive to the time horizon of risks. The compensation budget of the Company will be based on projected levels of business and people requirements and profitability while remaining consistent with maintenance of sound expenses of management ratio and solvency ratio.
- 2.2. The total compensation will be a prudent mix of fixed pay and variable pay.
- 2.3. The fixed pay shall include basic salary, allowances, perquisites, benefits and retiral.

For the Company to attract and retain talent in certain key businesses and roles, it may make changes to the components mentioned above.

In addition to the various cash components (salary, allowances etc.) the Company may offer certain perquisites to employees depending on the grade of the Individual. The perquisites extended could include Company car, Company leased accommodation, club membership and any other form of benefits including reimbursable perquisites with monetary ceilings as may be decided by the Company keeping in view the grade of the employee.

- 2.4. The variable pay will be in the form of share-linked instruments or cash or a mix of cash and share-linked instruments. The share-linked instruments include 'Employee stock options' governed by Tata AIG Employee Stock Option Plan 2022 and/or any subsequent ESOP Plan approved by the Shareholders and Long-Term Incentive Plan.

The quantum of variable pay for KMPs will not exceed 300% of the total fixed pay in a year. The proportion of variable pay to total compensation will be higher for senior positions and lower for others. At least 50% of the compensation shall be variable for KMPs. However, they can earn lesser or even zero variable pay based on various performance criteria.

For KMPs, if the quantum of variable pay is up to 200% of the fixed pay, at least 50% of the variable pay will be via non-cash instruments and if it is above 200% (max up to 300%) of the fixed pay, at least 70% of the variable pay will be via non-cash instruments. A minimum of 50% of the total variable pay will be under deferral arrangement (deferment). However, for variable pay up to Rs. 25 lacs, no deferment shall be required.

- 2.5. The deferral period would be spread over a minimum period of three (3) years (deferment period). The frequency of vesting will be on annual basis and the first vesting shall not be before one year from the commencement of deferral period. The vesting shall be no faster than a *pro-rata* basis. Additionally, vesting will not be more frequent than on a yearly basis.
- 2.6. In case of employee's death or permanent disability, whole of the deferred variable pay (Cash and share-linked instruments) shall vest in the employee's successors, or the employee, as the case maybe as per conditions defined in the respective variable schemes.
- 2.7. In case of retirement/ resignation of a KMP(s) prior to the deferral period, the deferred pay may be paid as per the employment contract agreed between the Company and the KMP. In case of reappointment on 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.
- 2.8. 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.
- 2.9. KMPs of the Company will not be granted or issued any sweat equity shares.

Employee Stock Options:

- 2.10. Employee Stock Options (ESOPs) are and will be a part of the total remuneration for KMPs.
- 2.11. ESOPs, currently governed by the Tata AIG Employee Stock Option Plan 2022 (ESOP Plan) as amended from time to time of the Company and other applicable regulations, aim at achieving twin objectives of aligning senior management compensation to long term shareholders' interests and retention of employees identified as high potential. ESOPs aim at aligning senior management behavior to long-term view of the Company's performance. The Company may grant ESOPs from time to time to the KMPs and other employees.
- 2.12. The ESOPs will be granted in accordance with the ESOP Plan, as amended from time to

time, and duly approved by the NRC, Board and shareholders, and this Remuneration Policy.

- 2.13. The ESOPs are fair valued using the Black-Scholes model and based on the valuation done by a Category-1 Merchant Banker basis the latest financial results of the Company prior to grant.

Joining / Guaranteed bonus:

- 2.14. No Guaranteed bonuses will be paid to KMPs.
- 2.15. Joining or sign-on bonus, if any, will occur in the context of hiring a new hiring of a KMP and will be limited to first year. Where the joining bonus is in the form of employee stock options, such grants will not be considered part of fixed or variable pay.
- 2.16. Further, other than accrued retirement benefits (such as provident fund, superannuation, and gratuity payable on retirement) or any benefits arising under the deferred remuneration plan/ESOP plan or any payments or benefits mandated by applicable law, no severance pay will be paid to KMPs.
- 2.17. No sitting fees will be paid to Managing Director & CEO/ Whole-time Directors of the Company for attending the meetings of the Board or Board Committees of the Company.

Other employees:

- 2.18. The remuneration of other employees shall comprise Fixed Pay, Variable pay and retiral.
- 2.19. The variable pay of other employees may consist of performance incentive, sales incentives (for sales staff), LTIP or ESOPs as may be determined from time to time by the Company.
- 2.20. In addition to the various cash components (salary, allowances etc.) the Company may offer certain perquisites to employees depending on the grade of the Individual. The perquisites extended could include Company car, Company leased accommodation, club membership and any other form of benefits including reimbursable perquisites with monetary ceilings as may be decided by the Company keeping in view the grade of the employee.

Malus and Claw-back:

- 2.21. Deterioration in financial performance in the form of drop in the Profit After Tax (PAT) from one financial year to the next by 50% or more, provided that such deterioration as evaluated by the NRC, is not on account of changes in regulations, force majeure, market conditions, industry performance, economic, social or other conditions outside the control of the Company or any person. Any material gains/losses from one-time transactions that are not in ordinary course of business would not be included while computing movement in PAT for this purpose.
- 2.22. In the event of:
- i. act of wilful or gross misconduct or neglect,
 - ii. the commission of felony, fraud, misappropriation, embezzlement, breach of trust or an offence involving moral turpitude or breach of integrity,

- iii. gross or wilful insubordination, or
- iv. any other act detrimental to the interest of the Company including and not restricted to violation of Company Code of Ethics, violation of Framework for dealing with Conflict of Interest, violation of rules and regulations of the Company, failure to discharge fiduciary and regulatory duties – and in respect of which the Company would reserve the right to institute appropriate civil, criminal, or other proceedings at the risks, costs and consequences of such individual's.

In deciding to apply malus/claw-back, the NRC, in its evaluation, shall take into account the principles of proportionality and of reasonable nexus between matters of ability, capability and expertise of the individual/s versus matters or events outside the control or even nexus of the individual/s to the events or situations.

For the purposes of this Policy:

“Malus” shall mean forfeiture of the unvested deferred remuneration (cash/equity linked instrument), and

“Claw-back” shall mean a contractual arrangement whereby the KMP agrees to return previously paid or vested remuneration (cash/equity linked instruments), under certain circumstances.

VI. Remuneration Policy for non-executive Directors (other than Non-Executive Chairman) pursuant to IRDAI guidelines dated June 30, 2023 on Remuneration of Directors and Key Managerial Persons of Insurers

3. The remuneration payable to non-executive/independent directors would be governed by the provisions of Insurance Act, 1938 and the IRDAI regulations/guidelines/circulars issued from time to time and the provisions of Companies Act, 2013 & related rules to the extent it is not inconsistent with the provisions of the Insurance Act, 1938 and/or IRDAI regulations/guidelines/circulars.

4. Considering the above, and subject to applicable approvals, the remuneration for the Non-Executive/Independent Directors would be as follows:

- Sitting fee for attending each meeting of the committees and the Board as approved by the Board from time to time within the limits as provided under Companies Act, 2013 and related rules.
- Remuneration not exceeding ₹ 20 lakh per annum as may be approved by the Board and Shareholders from time to time and in compliance with applicable statutes/ regulations basis the recommendation of the NRC post completion of the annual Board evaluation process. In case IRDAI notifies any future changes to this limit, such limit would apply on and from such notified date.
- In addition to the sitting fees and commission, the Company may pay to any director such fair and reasonable expenditure, as may have been incurred by the director while performing his/her role as a director of the Company and this may include reasonable expenditure incurred by the director for attending Board/ Committee meetings, general meetings, court convened meetings, meetings with shareholders/ creditors/ management, site visits, induction and training (organized by the Company for its directors) and in obtaining professional advice from Independent advisors in furtherance of his/her duties as a director.

- The remuneration payable to the Non-executive Directors shall be inclusive of any remuneration payable for services rendered by such director in any other capacity unless:
 - The services rendered are of a professional nature, and
 - The NRC is of the opinion that the director possesses requisite qualification for the practice of the profession.
- Remuneration to non-executive Directors who are also on the board/s of an insurance agent or intermediary or insurance intermediary appointed in terms of section 48A of the Insurance Act, shall be paid subject to fulfilment of the requirements set out in the applicable circulars, guidelines or regulations prescribed by IRDAI from time to time. However, Company is permitted to pay sitting fees as per applicable norms under the Companies Act 2013.
- The non-executive directors shall not be entitled to ESOPs of the Company.

VII. Remuneration Policy for the Non-executive Chairman pursuant to IRDAI guidelines dated June 30, 2023 on Remuneration of Directors and Key Managerial Persons of Insurer

5. The remuneration payable to the non-executive chairman would be governed by the provisions of Insurance Act, 1938 and IRDAI regulations/guidelines/circulars issued from time to time and the provisions of Companies Act, 2013 & related rules to the extent it is not inconsistent with the provisions of the Insurance Act, 1938 and/or IRDAI regulations/guidelines/circulars.
6. Considering the above, the permitted modes of remuneration for the non-executive chairman may include:
 - Such fixed payments at such periodicity as may be recommended by the Board, approved by the shareholders from time to time.
 - Maintaining a chairman's office at the Company's expense, bearing expenses for travel on official visits and participation in various forums (both in India and abroad) as chairman of the Company and bearing travel/halting/other expenses and allowances for attending to his duties as chairman of the Company and any other modes of remuneration as may be permitted by IRDAI through any circulars/guidelines as may be issued in the future.
 - Sitting fee for attending each meeting of the committees/Board as approved by the Board from time to time within the limits as provided under Companies Act, 2013 and related rules.
7. The non-executive chairman would be entitled to reimbursement of expenses for attending Board/Committee meetings, official visits and participation in various forums on behalf of the Company.
8. The NRC may review the Remuneration Policy annually in line with the strategy adopted by the Company and changing market dynamics and the prevalent regulatory requirements.

VIII. Policy Review, Implementation & Disclosures

9. The Company shall conduct an annual evaluation of the members of the Board, Chairman, MD & CEO and WTD (if any) to assess the effectiveness of the Board as per the requirements set out in the Companies Act 2013 as amended from time to time. The annual Independent Directors meeting shall inter alia review the performance of the Board (as a whole), the Chairman and non-independent directors. The NRC shall thereafter review the performance

of all directors as part of the annual evaluation exercise.

10. This Policy may be amended, modified, or supplemented from time to time to ensure compliance with any modification, amendment, or supplementation to the Companies Act, 2013 and rules made there under and the IRDAI Remuneration Guidelines, as amended from time to time, or as may be otherwise prescribed by the Board from time to time.
11. This Policy shall be reviewed annually by the NRC and Board.
12. The NRC may issue/implement such guidelines, procedures, formats and/or reporting mechanisms to enforce this Policy as it may deem fit.
13. The particulars of remuneration of Directors, KMPs and other employees, if applicable, will be disclosed in the Board's Report as required under the relevant provisions of the Companies Act, 2013 and the rules made there under and the IRDAI Remuneration Guidelines, as amended from time to time.