



HDFC ERGO GENERAL INSURANCE COMPANY LIMITED

REMUNERATION POLICY FOR THE DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT AND OTHER EMPLOYEES

Created by	Secretarial								
Concurred by	-								
Review Period	Annual								
Version	Version 1.0	Version 1.1	Version 1.2	Version 1.3	Version 1.4	Version 1.5	Version 1.6	Version 1.7	Version 1.8
Approved by Board of Directors on	August 18, 2017	January 24, 2018	May 3, 2019	May 8, 2020	January 21, 2021	January 25, 2022	January 25, 2023	April 27, 2023	July 27, 2023
Effective From	August 18, 2017	January 24, 2018	May 3, 2019	May 8, 2020	January 21, 2021	January 25, 2022	January 25, 2023	April 27, 2023	July 03, 2023



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REMUNERATION POLICY FOR THE DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT AND OTHER EMPLOYEES

1. Preamble

The primary objective of this Remuneration Policy is to provide a framework for the remuneration of the Executive and Non-Executive Directors (including Independent Directors), Key Managerial Personnel (KMP), Members of Senior Management and other employees of the Company.

In terms of Section 178 of the Companies Act, 2013 (Act) read with rules framed thereunder and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the Nomination and Remuneration Committee of Directors of the Company (NRC) had formulated and recommended this Policy for the approval of the Board of Directors of the Company. This Policy was recommended by **NRC** and approved by the Board of Directors and shall be subject to periodic review by the NRC.

IRDAI has vide its Circular No. IRDA / F&A / GDL / LSTD / 155 / 08 / 2016 dated August 5, 2016, as amended, issued Guidelines on Remuneration of Non-Executive Directors, Managing Director / Chief Executive Officer / Whole-time Directors of Insurers (IRDAI Remuneration Guidelines). The IRDAI has also issued Guidelines on Corporate Governance for insurers in India dated May 18, 2016 (IRDAI CG Guidelines) which details the key managerial persons.

The objectives of this Policy are as under:

- a) To ensure that the level and composition of remuneration is in line with other companies in the industry, sufficient to attract and retain right talent, at all levels and keep them motivated enough to meet the organizational objectives.



- b) To ensure that a reasonable balance is maintained in terms of composition of remuneration (fixed and variable component).
- c) To have performance measurement parameters in place to assess the overall performance of Directors, KMPs, person/members of Senior Management and other employees.
- d) The remuneration of Whole-Time Directors including Managing Director & CEO, shall be fixed keeping in perspective the various risks including their time horizon and such that remuneration reflects the performance of the Company measured against performance objectives including risk outcomes.

2. Applicability

This Policy shall be applicable and act as a guiding principle with regard to remuneration payable by the Company to all Executive and Non-Executive Directors (including Independent Directors), KMPs, persons/members of Senior Management and other employees of the Company.

3. Remuneration of Non-executive / Independent Directors

3.1 The key elements of remuneration of Non-executive/ Independent Directors are commission and sitting fees, subject to overall limit as prescribed in the Act and rules made there under and the IRDAI Remuneration Guidelines, as amended from time to time and subject to the approval of the Shareholders, as applicable. They shall be covered under the Directors and Officers Liability Insurance (D&O) Policy. The Independent Directors shall not be entitled for the stock options. Resident Directors (including past Directors) shall be eligible to be covered under the Group Medical Insurance Policy (GMC) subject to recovery of premium, wherever applicable.



3.2 Subject to the said limits, the amount of sitting fees and commission payable to the non-executive directors shall be as recommended by the NRC and / or approved by the Board, from time to time.

4. Remuneration to MD/CEO/Whole-Time Directors

4.1 The Whole-Time Directors are appointed on a contractual basis for a fixed tenure as approved by the Insurance Regulatory and Development Authority of India (IRDAI) and Shareholders and such contracts are renewable upon expiry of the tenure subject to recommendation by the NRC/ Board and approval of the IRDAI and Shareholders.

4.2 The remuneration payable to Whole-Time Directors shall be recommended by NRC and approved by the Board subject to the approval of the IRDAI under the provisions of Section 34A of the Insurance Act, 1938, as amended and the Shareholders of the Company under the provisions of the Act and may include base salary, House Rent Allowance, perquisites, variable pay in the form of commission, other benefits and allowances, and stock options and such other elements / allowances as may be recommended by NRC and approved by Board from time to time.

4.3 The Whole-time Directors shall be covered under the Directors and Officers Liability Insurance (D&O) Policy.

4.4 The annual increments and stock options granted, if any shall be linked to the overall performance of the Company and other parameters as stipulated under IRDAI Remuneration Guidelines, as amended from time to time, duly recommended by NRC and approved by Board and subject to the approval of the IRDAI.



4.5 The remuneration structure of WTDs shall mainly comprise of the following elements:

a. Fixed pay – which may comprise of basic salary and other benefits, allowances and perquisites, such as house rent allowance, special allowance, retiral benefits like provident fund, gratuity and superannuation. The amount of fixed pay shall be reasonable, taking into account the Company's overall business performance and the industry remuneration scales.

b. Variable Pay – which comprise of variable pay in cash and non cash that includes stock option instruments such as employee stock options under the company's employee stock option plan (ESOP). Variable Pay shall be at least 50% of the Fixed Pay for the corresponding period and shall not exceed 300% of the Fixed Pay. Where variable pay is up to 200% of the fixed pay, a minimum of 50% of the variable pay shall be via non-cash instruments. The same limit would be 70%, in case the variable pay is above 200% of the fixed pay. These limits shall be in and can vary, in accordance with the norms prescribed by IRDAI pursuant to IRDAI Remuneration Guidelines or any other similar norms prescribed by IRDAI. In terms of the IRDAI Remuneration Guidelines Variable Pay shall attract deferral, malus and claw back provisions as detailed hereunder.

Non-cash Variable Pay - Suitable number of ESOPs to be granted every year such that basis the option pricing, the non-cash variable components is at least 50% of the Total Variable pay, or as may be prescribed/allowed by IRDAI in this regard.

The actual variable would be as recommended by NRC and approved by the Board basis the performance assessment.



c. ESOPs - The NRC may consider grant of stock options in accordance with and within the limits stipulated under Employees Stock Option Plan – 2009 approved by the Shareholders. The issue of ESOP shall be governed by the provisions of the Act read with the Companies (Share Capital and Debentures), Rules, 2014, as amended from time to time and other applicable laws/regulations.

d. Benefits – Payment of premium by the Company towards medical, life and personal accident insurance, provision of Company owned car, reimbursement of fuel, housing loan subsidy, one club membership and such other benefits as are decided by NRC/Board from time to time. All such monetary and non-monetary benefits are considered as part of fixed pay.

The total remuneration payable to the WTDs (including fixed pay, variable pay, ESOPs and perquisites and benefits) shall be recommended by the NRC and approval by the Board and shall be subject to approval of Shareholders and IRDAI, as required.

4.6 The Variable pay of WTDs would be awarded at the end of the financial year based on the performance of the WTDs basis the Performance Objectives / defined parameters set by the NRC/Board, and in accordance with the norms prescribed by IRDAI Guidelines, which will include the following:

- a) Top line and bottom line targets of the Company including portfolio steering.
- b) Overall financial position of the Company such as net-worth position, growth in AUM, and includes adherence to IRDAI stipulations on Minimum Solvency margin and Expenses of Management Limits.
- c) Key strategic and operational deliverables for the year and progress on the mid-term deliverables
- d) Claim efficiency in terms of settlement, outstanding and repudiation performance
- e) Effectiveness of the Grievance Redressal mechanism



- f) Reduction in Unclaimed Amounts of policyholders and renewal rate
- g) Overall compliance to applicable laws including Corporate Governance guidelines issued by IRDAI and other statutory bodies;
- h) Such other parameters as may be stipulated under IRDAI Remuneration Guidelines.

4.7 Claw back provisions:

As per the agreement between the KMP and the Company, including the Claw-back clause, the KMP agrees to return previously paid or vested variable pay to the insurer under certain circumstances including:

- Gross negligence
- Integrity breach
- Materially inaccurate financial statements due to the result of misconduct including fraud
- Poor compliance in respect of corporate governance and regulatory matters

The Nomination and Remuneration Committee's decision on trigger of Claw-back and quantum to be clawed back would be final and binding.

4.8 Malus :

In the case of deferred remuneration, in the event of any negative trend in the defined parameters and/or the relevant line of business in the year during the vesting period, unvested / unpaid portions of deferred variable pay shall be reduced or cancelled as per the assessment. The Nomination and Remuneration Committee's decision in this regard on trigger and quantum of Malus would be final and binding.

Malus effective from variable / deferred remuneration payable for PY 2023-24 onwards.



The above malus provisions would be included / amendment added in the employment contract of the MD & CEO, WTD and KMPs and the applicability would be as decided by NRC.

4.9 Joining/sign-on bonus will neither be considered as part of fixed pay nor as part of variable pay and should be limited to the first year.

4.10 Insurers shall not grant Severance Pay other than accrued benefits like gratuity, pension, etc., to WTDs and Key Managerial Persons, as prescribed under IRDAI Registration Regulations, except in cases where it is mandatory under any applicable provision of the statute. Severance Pay does not include notice period pay.

5. Remuneration of Persons/Members of Senior Management, KMP (other than Whole-Time Directors) and other employees

5.1 “**Executive Board**” shall mean all Whole-Time Directors of the Company including the Managing Director & CEO. “**Key Managerial Personnel**” (KMP) shall be KMPs pursuant to the provisions of the Companies Act, 2013 and those pursuant to IRDAI CG Guidelines and shall include the following for the purpose of the Policy

a. KMPs as per Companies Act, 2013 and Listing Regulations:

- the Managing Director and C.E.O.;
- the Executive Director;
- the Chief Financial Officer;
- the Company Secretary; and

b. Following are KMPs as per IRDAI CG Guidelines and/or IRDAI Registration Regulations or any other such requirement prescribed by IRDAI, in addition to above-mentioned persons (KMPs as per IRDAI requirements) :



- Appointed Actuary
- Chief Investment Officer
- Chief Risk Officer
- Chief Compliance Officer
- Such other person/officer of the core management team of an insurer including the functional heads one level below the MD/CEO, or as may be so identified

5.2 **“Senior Management”**, for the purpose of this Policy, means the personnel of the Company who are members of its core management team excluding the Executive Board and shall comprise of all members of management one level below the Executive Board including the functional heads. The current Senior Management comprises Presidents of the Company in T1 and T2 or such other band as may be approved by the NRC and/or the Board as may be applicable from time to time;

5.3 The key components of remuneration package of the persons/members in Senior Management, KMPs and other employees may comprise of base salary, special allowance, house rent allowance, variable pay, contribution to provident fund and superannuation fund (if opted for), premium on medical insurance and personal accident insurance, gratuity and leave travel allowance and such other emoluments as may be decided by the Executive Board in consultation with the Human Resources Department.

The NRC may approve grant of stock options to employees in certain grade / category under Employees Stock Option Plan of the Company, subject to fulfillment of eligibility criteria.

The Variable pay, to the KMPs - as prescribed in the IRDAI Registration Regulations, would be awarded at the end of the financial year based on the performance of Performance Objectives/defined parameters, as set out in the agreements between them and in accordance with the norms prescribed by IRDAI Remuneration Guidelines.



All the requirements with regard to the structure and criteria for payment of remuneration, applicable for WTDs would be applicable to KMPs as per IRDAI requirements in accordance with IRDAI Remuneration Guidelines.

- Non Cash Variable - Suitable number of ESOPs to be granted every year such that basis the option pricing, the Non cash variable components is at least 50% of the Total Variable pay

The total remuneration payable to the Senior Management shall be recommended by the NRC and approved by the Board of Directors.

Maximum Variable Pay for KMPs to be aligned such that the total variable pay (cash and non-cash) as a % of total fixed is at least 50%, or such other proportion as may be prescribed by IRDAI.

5.4 The remuneration, performance appraisal and rewards of peoples/members of Senior Management and other employees, shall be in line with the stated business objectives.

5.5 Company performance parameters Minimum 60% Weightage for MD/CEO & WTD and 30% for KMPs

5.6 The annual increments for the other employees shall be linked to their overall performance and as decided by the Executive Board in consultation with their Reporting Managers and Human Resources Department.

5.7 Employees must conduct themselves to ensure that no breach is committed of the provisions of Code of Conduct, HDFC ERGO's Securities Dealing Code, Standard Operating Processes (SOPs) and all other relevant and applicable policies and codes. Any such breach will have a direct bearing on their performance appraisal and rewards and shall also attract appropriate disciplinary action.



5.8 The NRC may approve grant of stock options to employees in certain grade / category under Employees Stock Option Plan of the Company, subject to fulfillment of eligibility criteria.

6. Disclosures in the Board's Report or Report on Corporate Governance

6.1 As required under the relevant provisions of the Act and the rules made there under, Listing Regulations and the IRDAI Remuneration Guidelines, as amended from time to time, this Policy shall be uploaded on the website of the Company at www.hdfcergo.com and the salient features of this Policy and changes, if any along with said web address and the particulars of remuneration of Directors, KMPs, Senior Management and other employees, to the extent applicable shall be disclosed in the Board's Report or Report on Corporate Governance. The disclosures in the Board Report regarding the said KMPs shall be in accordance with the requirements prescribed in the respective regulations/guidelines in this regard.

7. Policy review

7.1 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, Listing Regulations and the IRDAI Remuneration Guidelines, as amended from time to time, the Memorandum and Articles of Association of the Company or as may be otherwise prescribed by the Board from time to time.

7.2 This Policy shall be subject to annual review by the NRC.

7.3 The NRC may issue/implement such guidelines, procedures, formats and/or reporting mechanisms to enforce this Policy as it may deem fit.
