



HDFC ERGO GENERAL INSURANCE COMPANY LIMITED

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

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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 read with rules framed there under 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 the Nomination and Remuneration Committee of Directors ("**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 issued Guidelines on Remuneration of Non-Executive Directors, Managing Director / Chief Executive Officer / Whole-time Directors of Insurers (IRDAI Remuneration Guidelines)

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, 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, 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 Companies Act, 2013 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.
- 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 approved by the NRC 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 Companies Act, 2013 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 approved by the NRC 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 shall be linked to the overall performance of the Company and as approved by the NRC, subject to the approval of the IRDAI.
- 4.5 The remuneration of WTDs shall mainly comprise of the following elements:
- a. Fixed pay – which may comprise of basic salary, 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 may comprise of variable pay in cash, stock linked instruments or both. It is clarified that ESOPs would not be considered as part of variable. In case the variable pay is more than 50% of the total pay (i.e. Total CTC including fixed and variable pay), it shall be considered as

‘substantial’ in terms of the IRDAI Remuneration Guidelines and shall attract deferral and claw back provisions as detailed hereunder.

- c. ESOPs - The NRC may consider grant of stock options to WTDs 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 Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the Companies (Share Capital and Debentures), Rules, 2014, as amended from time to time.
- 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 from time to time .

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

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 set by the NRC which will include the following:

- a. Topline line and bottom line targets of the Company including portfolio steering.
- b. Overall financial position of the Company including 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. Satisfactory Claim settlement and repudiation performance
- e. Effectiveness of the Grievance Redressal mechanism
- f. Overall compliance to applicable laws including Corporate Governance guidelines issued by IRDAI and other statutory bodies

4.7 Deferral of Variable pay and Claw back provision:

- a. In case the variable pay is more than 50% of the total pay (i.e. Total CTC including fixed and variable pay) and is therefore considered as ‘substantial’ in terms of the IRDAI Remuneration Guidelines it shall attract deferral provisions as under:
 - 50% of such variable pay can be paid upfront

- Balance 50% to be paid in 3 annual equal installments starting end of first year.

b. Deferred variable pay (i.e. any unpaid part of variable pay) shall be subject to claw back provisions in case the performance of the Company deteriorates including on the risk parameter highlighted above. While awarding deferred variable pay, the NRC would define clear verifiable measures of performance and risk which will trigger claw back of the deferred variable pay and extent thereof.

4.8 Guaranteed bonus in form of cash shall not be paid to the WTDs. However, this does not apply to payment of ESOPs. Further, guaranteed joining/ sign on bonus in the case of new hires can be paid and should be limited to the first year.

4.9 No severance pay to be granted to the WTDs without the prior approval of the Board. Severance pay for this purpose does not include accrued benefit including gratuity, pension, PF etc and notice period pay.

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

5.1 “**Key Managerial Personnel**”(KMP) - shall mean the following personnel of the Company

- the Managing Director and C.E.O.;
- the Executive Director;
- the Chief Financial Officer;
- the Company Secretary; and
- such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board.

5.2 “**Members of Executive Management**” – shall mean Functional / Business Heads of the Company in T2 or such other band as may be approved by the NRC from time to time.

5.3 “**Senior Management**”, for the purpose of this policy, shall mean and include the following:

- Members of Executive Management;
- Functional Heads/ Business Heads; and
- KMPs (other than Whole-Time Directors).

5.4 The key components of remuneration package of the Senior Management 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 Managing Director & CEO and Executive Director 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.

5.5 The remuneration, performance appraisal and rewards of Members of Senior Management and other employees, shall be in line with the stated business objectives.

5.6 The annual increments for the Senior Management and KMP (other than Whole Time Directors) and other employees shall be linked to their overall performance and as decided by the Managing Director & CEO and Executive Director 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.

6. Disclosures in the Board's Report

6.1 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, 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 .

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 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.
