



Shriram Life Insurance Company Limited

REMUNERATION POLICY

FOR

NON-EXECUTIVE DIRECTORS,

MD/CEO/WTD, KEY MANAGERIAL PERSONNEL

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I. Background:

The Insurance Regulatory and Development Authority of India has issued Master circular on Corporate Governance for Insurers 2024 vide Ref: IRDAI/F&I/CIR/MISC/82/5/2024 dated 22.05.2024. Accordingly, the remuneration policy is being placed as per the provisions of Section 34A and all other applicable provisions of the Insurance Act, 1938, the Guidelines, and the Notifications/ Guidelines/Circulars issued by the IRDAI, the Companies Act, 2013 and Rules framed thereunder and as may be amended from time to time. This policy shall be effective from the start of the Financial year 2025-26 and shall be reviewed on a yearly basis by the NRC .

II. Objective:

To ensure that the Remuneration practices are in line with the company's philosophy & objectives such as ;

- i. To provide means to enable the Company to attract and retain appropriate human talent.
- ii. To motivate the employees of the company with incentives and reward opportunities.
- iii. To achieve sustained growth of the Company and the creation of shareholder value by aligning the interests of the employees with the long term interests of the Company.
- iv. To create a sense of ownership and participation amongst the employees.

Further the company shall also align its remuneration policy to meet the regulatory guidelines that are applicable from time to time

III. Coverage: This Policy shall be applicable to:

- a) Key Management Person (KMP) includes:
 - a. MD & CEO.
 - b. MDs.
 - c. Chief Financial Officer.
 - d. Chief Investment Officer.
 - e. Appointed Actuary
 - f. Chief Risk Officer.
 - g. Chief compliance Officer
 - h. Company Secretary
- b) The definitions under this policy shall be as per IRDAI Master Circular on Corporate Governance for Insurers, 2024 as amended from time to time.

IV. Governance Structure for Compensation:

- a) The Nomination and Remuneration Committee ("NRC") shall oversee the matters pertaining to the remuneration for MD &CEO, MDs, WTD and recommend to the Board.
- b) The MD& CEO is authorized to decide the Remuneration of the KMPs other than those referred to in Point I above. However, the same shall to be placed before the NRC for its review .
- c) The remuneration payable to Independent Directors (ID) and Non-Executive Directors (NED) would be governed by extant applicable requirements prescribed by IRDAI or any other relevant

authority, the Companies Act, 2013 and the Insurance Act, 1938.

V. Principles for Determination of Remuneration for NED/ KMP:

a. Remuneration of Non-Executive Directors (NED) shall be based on the following principles:

1. Total remuneration for each Non-Executive director shall be within the limits laid down in the Master circular/regulations.
2. In case the Chairperson of the company is a Non- Executive Director, the remuneration may be proposed by the Board of Directors of the insurer and, the same shall specify the details of the remuneration and incentives to be paid to him/ her.
3. The remuneration of the chairperson shall be subject to prior approval of IRDAI.
4. Non-Executive Directors shall not be eligible for any share-linked benefits.
5. The company shall pay sitting fees to the non-executive directors and reimburse their expenses for participation in the Board and other meetings, subject to compliance with the provisions of the Companies Act, 2013.
6. The company shall disclose the amount of remuneration, if any, paid to each Non-Executive/ Independent directors, in the Notes to the Accounts.

b. Remuneration to KMPs shall be based on the following principles:

- a) The level and composition of Remuneration is reasonable and sufficient to attract, retain and motivate the Key Management Personnel to run the Company successfully, which means Remuneration should be:
 - Cognizant of remuneration levels in the market. ('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) Remuneration structure will have Fixed Pay and Variable Pay components aligned to the Regulatory guidelines.
- c) The financial performance of the Company / business segment/ function/ individual can lead to a contraction in the total amount of variable pay, for a particular year depending on the performance outcome of the year.

VI. Remuneration Structure:

Remuneration structure broadly consists of following elements:

1) Fixed Pay (TFP)

Fixed Pay includes Basic Pay, allowances, perquisites and terminal benefits. The valuation of perquisites shall be computed as per Income-Tax Act, 1961.

2) Variable Pay (VP)

- The variable pay can be mix of cash and share-linked instruments (which is governed as per the SLIC's ESOP scheme). Cash linked stock appreciation rights (CSARs) are also to be treated

as share linked instruments

- 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.
- The Company performance parameters shall include at least the following Key Performance Indicators (KPIs) for determination of performance assessment of all KMPs for payment of variable pay and form the basis of revision of the Fixed Pay:
 - i. Overall financial soundness such as Net Worth position, solvency, growth in AUM, Net Profit etc.
 - ii. Compliance with Expenses of Management Regulations.
 - iii. Claim efficiency in terms of settlement and outstanding.
 - iv. Improvement in grievance redressal status/ position.
 - v. Reduction in Unclaimed Amounts of policyholders.
 - vi. Persistency 37th Month, 61st Month
 - vii. Overall Compliance status w.r.t. all applicable laws
- The above parameters shall constitute at least 60% of total weightage in the performance assessment matrix of MD/CEO/WTDs and at least 30% of the total weightage in the performance assessment matrix of other KMPs individually. Performance based Variable Pay will be as per the existing policy of the company.
- Any variable pay or performance incentive shall be paid/ granted to any KMP only once during a financial year.
- KMPs of the Company shall not be issued/granted any sweat equity shares.
- As provided in the Master circular/ regulations the non-cash variable pay for WTD/KMPs could be in the form of ESOPs or CSARs
- The grant of Employees Stock Options Plan (ESOP) will be as per the existing ESOP policy of the company which may be amended from time to time and the ESOP's granted to KMP's shall be part of their variable pay
- The CSAR scheme and grants for WTD's/ MD& CEO & MD's shall be approved by the NRC/ Board and will be cash settled as per the scheme .
- The CSAR scheme and grants for KMP's shall be approved by the MD& CEO/ Apex committee and will be cash settled as per the scheme

VII. Remuneration for KMPs in Control and Assurance functions:

KMPs engaged in financial control, risk management and compliance will be compensated in a manner that is independent of the business areas they oversee and commensurate with their role in the Company.

VIII. Deferment of Variable Pay:

- Of the total variable pay, at least 50% shall be deferred. The deferred remuneration shall be in the form of share-linked instruments or as per the Long Term Incentive Plan of the Company.
- No deferment of the cash component of the variable pay shall be required if it does not exceed Rs 25,00,000 for a particular year.
- The deferral period/payout would be for a minimum of three years and the deferred amount shall start vesting after one year of commencement of the deferral period on a pro rata basis.

- The actual deferral period/ payout shall be governed by the NRC for MD&CEO/MDs/ WTD, and for other KMP's it should be approved by MD&CEO.

IX. Guaranteed Bonus:

Guaranteed bonus/ Joining bonus/ Committed payouts shall not generally be paid to KMP's except during the first year of employment. Any exceptions shall be as per the approval of the Nomination and Remuneration Committee (NRC).

X. Malus and Clawback:

Malus and Clawback provisions shall be in line with the Regulatory guidelines and shall apply regardless of whether the employee is in the employment of the Company.

The Malus and Claw-back clauses shall form part of the employment contract/ revision of remuneration contracts with KMP's.

A. Guidelines for Implementation:

1. This Policy will be binding on all KMP's and terms of their Remuneration shall automatically stand revised in accordance with this Policy as amended from time to time.
2. Malus and/or clawback shall be applicable for any acts of misconduct attributable in part or all unvested/vested/deferred variable component. Such malus/ clawback on remuneration shall be based on evaluation by appropriate authority as directed by the Board.
3. The provision relating to malus would entail forfeiture of full or part of the unvested/unpaid part of the deferred variable pay, attributable to a given reference year wherein the incident has occurred. In case the stock options are unvested or have vested but not been exercised, upto 100% of such stock options can be forfeited.
4. The provision relating to clawback would entail return of full or part of the variable pay paid, attributable to a given reference year wherein the incident has occurred. Such return would always be in cash. The Company will have a right to set off the claw back amount against any amount payable to the concerned employee. In case of share linked scheme the same will be governed by ESOP policy of the company.
5. In case the Annual Remuneration of MD/CEO/WTD and other KMPs individually exceeds Rs 4 crores, such excess shall be borne by the shareholders and debited to P&L account.
6. Liability in the respective books of accounts shall be created in respect of deferred remuneration of the reporting financial year.
7. Deferred remuneration pertaining to previous financial years and paid in the reporting financial year shall not be debited to revenue Account/ P&L account as the same shall be adjusted against the liability outstanding in the books of accounts at the beginning of the year.
8. In case of forfeiture of deferred pay, the corresponding liability outstanding shall be reduced accordingly.
9. In case of recovery of earlier paid remuneration, if any, the same shall be credited to Revenue account/ P&L account as the case may be.

B. Appointment/ Reappointment & Approval:

1. Appointment/ Re-appointment or modification in the remuneration, if any, of MD/CEO/WTD requires prior approval of IRDAI as per section 34 A of the Insurance Act, 1938
2. In respect of remuneration of the MD/CEO/WTDs, revision shall be subjected to the approval of IRDAI.

C. Review of the policy:

The NRC in consultation with the Risk Management Committee of the Board shall have the weightages formulated to align the remuneration adjusted for various risks.

MD & CEO shall place before the NRC the evaluation of performance of the KMP (Other than WTD & MDs/ MD&CEO) post financial year closure.

The remuneration policy shall be reviewed annually.
