Compensation & Benefits Policy

Part A: Compensation & Benefits Policy for Managing Director & CEO, Executive Directors and employees

Applicability

The Compensation & Benefits Policy (this Policy) is applicable to the Whole time Directors, Key Managerial Personnel (KMP), Senior Managerial Personnel (SMP) and other employees.

Philosophy on compensation and benefits

The Company’s philosophy on compensation and benefits is based on the ethos of meritocracy. The twin pillars of the performance management system and talent management system are closely intertwined with the compensation and benefits policy of the Company. The Company follows the cost to company approach while determining the compensation and benefits structure. While the Company aims to ensure internal and external equity consistent with emerging market trends, the Company’s business model and affordability based on business performance sets the overarching boundary conditions.

Compensation structure

To meet the organizational objective of attracting, rewarding and retaining talent, compensation is delivered through a holistic composition of instruments as given below:

1. Annual Guaranteed Pay
2. Variable Pay
3. Long-term Pay
4. Non-cash Benefits

The compensation and benefits structure will be reviewed by the Board Nomination & Remuneration Committee based on market trends and the Company strategy from time to time.

1. Annual Guaranteed Pay (AGP): AGP consists of various components including basic salary and optional allowances as may be applicable to eligible employees. Optional allowances include a basket of components like house rent allowance, medical allowance, conveyance allowance, leave travel allowance and others. The employee has the flexibility to design the allowances basket subject to the maximum limit that has been prescribed for each level. AGP also includes retirals like superannuation allowance (for applicable employees) and statutory contributions such as Employer’s contribution to Provident Fund and Gratuity. The basic salary and allowances are fixed as a percentage of AGP, which ensures prudent management of compensation structure.

2. Variable Pay: The Company’s capacity to pay is a key determinant in structuring pay. The quantum of variable pay is based on organization and individual performance. Hence for the Company, variable pay is an instrument to manage wage costs effectively in line with business cycles.
Variable pay is given in the form of a performance bonus or incentives, as applicable. The performance bonus is based on overall organizational as well as individual performance, and the payout is capped at a maximum of 100% of basic salary for the individual with the highest performance rating. The performance bonus helps in optimally managing the balance between market competitiveness and capacity to pay.

The Company follows a philosophy of meritocracy, which is the relative differentiation of employees based on performance delivered. The design of the variable pay is linked to the individual employee’s performance rating which is arrived at basis assessment of performance delivered against a set of pre-defined performance objectives. These objectives are balanced in nature, and comprise a holistic mix of financial, customer, people, and process/quality and compliance objectives.

Alignment of Remuneration with prudent risk parameters: To ensure effective alignment of compensation with prudent risk parameters, the Company will take into account various risk parameters along with other pre-defined performance objectives of the Company, which shall include the following:

I. Persistency
II. Solvency
III. Grievance Redressal
IV. Expenses of Management
V. Claim settlement
VI. Claim repudiations
VII. Overall Compliance status
VIII. Overall financial position such as Net-Worth position, Asset under Management (AUM) etc.

Ensuring balance in setting performance objectives, capping the maximum payout of performance bonus to 100% of basic salary and following an annual payout cycle ensures that prudent behavior is suitably encouraged and rewarded. Prudent behavior will be assessed through a Good Order Index for middle and senior management level employees. Incentive payouts are based on individual performance targets as may be defined from time to time. The principles guiding the incentive schemes shall be ratified by the Executive Management of the Company.

2. A) Bonus for Whole time Directors

The quantum of bonus will not exceed 70% of the total fixed pay in a year. If the quantum of bonus exceeds 50% of the total fixed pay, the payout will be 60% of the bonus as upfront and the balance 40% will be equally deferred over the next three years.
2. B) Guaranteed bonus & Severance pay for Whole time Directors:

I. Guaranteed bonuses: Guaranteed bonuses are not consistent with sound risk management or pay for performance principles and the Company will not encourage any kind of guaranteed bonus as part of remuneration plan. Joining or sign-on amounts may only be payable in the context of hiring new staff and will be preferably limited to first year. However, payment of joining or sign-on amount may be made beyond the year of joining. Grant of employee stock options shall be the preferred form for joining or sign-on amounts.

II. Severance pay: Payment of severance pay other than accrued benefits (mandated by statute) shall be made with the prior approval of the Board.

2. C) Malus and Claw back

- Compensation will be aligned to both financial and non-financial indicators of performance including controls like risk management, process perspective, customer perspective and others.
- Acts of gross negligence and integrity breach shall be covered under the purview of the compensation policy. Errors of judgment shall not be construed to be breaches under this note.
- The deferred part of the variable pay (performance bonus) will be subject to malus, under which, the Company will prevent vesting of all or part of the variable pay in the event of an enquiry determining gross negligence or integrity breach.
- Employees will be required to sign claw back agreements for the variable pay. In a claw back arrangement, the employee will agree to return, in case asked for, the previously paid variable pay to the Company in the event of an enquiry determining gross negligence or integrity breach, taking into account relevant regulatory stipulations.

3. Long-term Pay: The Company’s long-term pay schemes are designed to encourage institution building among employees. Long-term pay may be administered either through employee stock options or deferred cash schemes. Typically, this is a critical element in rewarding middle and senior management of the Company. As a philosophy, long-term pay is given to:

- enhance employee motivation
- enable employees to participate in the long term growth and financial success of the Company
- act as a retention mechanism, by enabling employee participation in the business as an active stakeholder to usher in an ‘owner-manager’ culture

Specific criteria for employee stock option grant could include organization performance, individual performance, potential assessment, vintage and any other relevant parameters.

Stock options may also be granted to new employees at the time of their joining on a case-to-case basis with a view to attract high potential talent based on factors such as potential and skills. These stock options shall be governed by the guidelines established by the Board Nomination & Remuneration Committee on grant of stock options to new employees.
4. **Non-cash Benefits**: These benefits are provided to employees to supplement rewards and meet their non-financial and other requirements and are linked to their level in the organization.

The following benefits are provided to employees as applicable:

- Hospitalization insurance for employees and dependents
- Group term insurance for employees
- Personal accident insurance for employees as applicable
- Company car for employees in Level 11 and above
- Club membership for employees in Level 11 and above
- Soft furnishing allowance for employees in Level 9 and above

4. A) **Post Retiral benefits for employees and WTDs**

**Group Health and Insurance**: The Company has in place a Group Health and Insurance policy where hospitalisation coverage is extended to employees and their spouse, children & dependent parents based on their grade/level. It is now proposed to extend the benefit to employees retiring from the Company subject to Income Tax Rules as per the limits mentioned below.

- Hospital coverage for Self and Spouse till life
  - Employees in Level 1 to 12: ₹ 400,000/- per annum
  - SGM & above: ₹ 1,200,000/- per annum and floater of ₹ 3,600,000/- in a block of 3 years

**Domiciliary Medical Expense**: The Domiciliary Medical Expense policy provides for reimbursement of medical expenses incurred by employees & their dependent family members in level 10 and above subject to limits based on their grade/level. It is now proposed to extend the benefit to employees retiring from the Company subject to Income Tax Rules as per the limits mentioned below.

- Level 10 to 12: ₹ 15,000/- per annum
- Level SGM & Executive Directors: ₹ 100,000/- per annum
- MD and CEO: ₹ 150,000/- per annum

**Soft furnishing**: The Company has a Soft furnishing policy for employees in level 9 and above for purchase of movable household items as per the limits based on their level. On cessation of service, employees are required to buy-back the items at written down value. On retirement, the book value of the soft furnishings would be taken at zero value and perquisite tax would be payable by the employee on the outstanding value of the soft furnishings and any other taxes that maybe applicable.

**Company car**: The Company has a Company Car Policy where on cessation of service, employees are required to buy-back the car assigned to them at written down value. On retirement, the book value of the car would be taken as zero value and perquisite tax as well as any other taxes as maybe applicable would be payable by the employee.
**Transportation to Home town:** The Company shall bear expenses incurred by employees on travel/transportation to their Hometown from their place of work for their self, spouse and two dependent children. The expenses need to be claimed within 6 months from the date of retirement and the limit would be as per the Company Travel Policy.

The limits have been prescribed as per current ICICI Group policy and shall be revised in line with ICICI Group norms as may be defined from time to time.

**Review of compensation & benefits’ practices**

The review of compensation decisions involve:

- Review of the prevalent and emerging trends in the market with specific reference to compensation and benefits provided
- Review of compensation and benefits policies in line with emerging employee needs and organizational priorities
- Decisions pertaining to annual increments, bonus payout, stock option grants, promotions and benefits at various levels

**Review of prevalent and emerging market trends**

Emerging market trends constitute an important input variable to compensation decisions. It is therefore of prime importance to capture and develop a thorough understanding of market dynamics with respect to compensation and benefits trends. The Company chooses a mix of commissioned and sponsored surveys carried out by chosen vendors, study of information as available in the public domain, and self-initiated surveys.

**Review of organizational priorities and employee needs**

The Human Resources function engages on an ongoing basis in understanding the changing organizational priorities and the interrelations, if any on the compensation decisions of the Company. Through various channels and platforms, the function engages to understand employee needs with reference to compensation and benefits and to assess the efficacy of the current model.

**Annual processes**

Reviews of key processes such as increments, performance bonus, stock option grants, promotions and benefits at various levels are carried out on a periodic basis. Few of these processes are outlined below:

- Increments: Compensation and benefits for various levels are reviewed periodically basis market data of the relevant comparator group, internal equity and capacity to pay considerations. As a good practice, individual level pay increments given in perpetuity are linked to consistency in performance and future leadership potential of the incumbent. This ensures that short term performance does not get undue weightage in pay fixation. The overall budget for increments and the compensation for employees and Whole time Directors are approved by the Board Nomination & Remuneration Committee.
- Performance Bonus: Performance bonus is payable at the end of each financial year, based on the performance of the Company and individual performance. The bonus payout grid is approved by the Board Nomination & Remuneration Committee.
- Grant of stock option: Stock options may be granted based on availability of stock options for grant, performance of the Company and performance and talent decisions at the individual level. The eligibility criteria, maximum number of stock options that may be granted at each level and the grant grid are approved by the Board Nomination & Remuneration Committee and the Board.

**Delegation of authority**

The delegation of authority to review, approve and ratify any compensation intervention at a Company or individual level has been laid down. Any special compensation intervention not mentioned in the authorization schedule that may be taken up at a Company, function or individual level is subject to the approval of the Executive Management and shall be ratified by the Board Nomination & Remuneration Committee.

**Disclosure requirements**

The Company will be compliant with the annual disclosure requirement. The key disclosure required to be made is attached in **Annexure A**.

**Annexure A**

Disclosure requirements for compensation as per IRDAI guidelines

**Qualitative Disclosures**

<table>
<thead>
<tr>
<th></th>
<th>Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.</th>
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<tbody>
<tr>
<td>2</td>
<td>Description of the ways in which current and future risks are taken into account in the remuneration processes.</td>
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<tr>
<td>3</td>
<td>Description of the ways in which the Company seeks to link performance during a performance measurement period with levels of remuneration.</td>
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**Quantitative disclosures (WTD, CEO / MD)**

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<tbody>
<tr>
<td>1</td>
<td>Number of MD/CEO/WTDs having received a variable remuneration award during the financial year.</td>
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<td>Number and total amount of sign-on awards made during the financial year.</td>
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<td></td>
<td>Details of guaranteed bonus, if any, paid as joining / sign on bonus.</td>
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<tr>
<td>2</td>
<td>Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.</td>
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<tr>
<td>3</td>
<td>Total amount of deferred remuneration paid out in the financial year</td>
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<tr>
<td>4</td>
<td>Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.</td>
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Part B: Compensation policy for non-executive Directors

The remuneration payable to non-executive/independent directors would be governed by the provisions of IRDAI Guidelines, 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/IRDAI Guidelines.

Considering the above, the permitted modes of remuneration for the non-executive/independent Directors would be:

- Sitting fee for attending each meeting of the Committee/Board as approved by the Board from time to time within the limits as provided under Companies Act, 2013 and related rules.
- Profit related commission as may be approved by the Board and shareholders from time to time, subject to availability of requisite profits and compliance with applicable statutes/regulations.

All the non-executive/independent Directors would be entitled to reimbursement of expenses for attending Board/Committee meetings, official visits and participation in various forums on behalf of the Company.

The nominee Directors on the Board of the Company will not be paid profit related commission.