

## **Policy on Compensation & Benefits for Managing Director & CEO, other Whole-time Directors, non-executive Directors, Key Management Person (KMP), Senior Management Personnel (SMP) and other employees ("Compensation Policy")**

### **Objective**

The Insurance Regulatory and Development Authority of India (IRDAI) has issued Guidelines on Remuneration of Directors and Key Managerial Persons of Insurers on June 30, 2023 (Compensation Guidelines), as amended from time to time. The Company's compensation practices and the Compensation Policy is as per the extant IRDAI guidelines.

The objective of the Compensation Policy is to lay down guidelines on compensation payable to the Managing Director & CEO (MD & CEO), other Whole-time Directors (WTDs), non-executive Directors (NEDs), KMPs, SMPs and other employees. This policy is applicable on and from April 1, 2023.

For the purpose of the Compensation Policy and operation thereof, meaning ascribed to the term KMP pursuant to IRDAI requirements shall be as defined under IRDAI's (Registration of Indian Insurance Companies) Regulations, 2022. Similarly, meaning ascribed to the term KMP pursuant to Companies Act shall be as defined under the Companies Act, 2013. Both collectively are referred herein as KMPs.

Further, meaning ascribed to the term SMP shall be as defined under the Companies Act, 2013 and include those considered as 'senior management' pursuant to the definition in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations.

The Compensation Policy is divided into five parts. Part A outlines the measures taken by the Company for effective governance of compensation, Part B lays down the guidelines relating to compensation of the MD & CEO, other WTDs, KMPs and SMPs, Part C deals with compensation of all other employees, Part D is for non-executive Directors (including non-executive non-Independent Chairman/Chairperson) and Part E for non-executive Independent Director as Chairman/Chairperson of the Company, if any.

### **Part A: Effective governance of compensation**

The Board Nomination & Remuneration Committee (BNRC) has the oversight for framing, review and implementation of the Company's Compensation Policy on behalf of the Board of Directors (Board), and shall work in close coordination with the Board Risk Management Committee for an integrated approach to the formulation of the Compensation Policy where required.

The Compensation Policy shall be reviewed annually by the BNRC, or earlier, in line with the strategy adopted by the Company, changing market dynamics and the prevalent regulatory requirements.

The executive management of the Company shall present annually the financial and strategic plans for the Company to the Board.

The BNRC shall define Key Performance Indicators (KPIs) for the MD & CEO and other WTDs based on the financial and strategic plans approved by the Board, which shall include the performance parameters outlined by IRDAI in the Compensation Guidelines.

The BNRC shall evaluate the performance of the MD & CEO and other WTDs vis-à-vis the KPIs for the year, and this shall be used to determine the variable pay payable to the MD & CEO and other WTDs and will also form the basis for revision of their Fixed Pay. Based on the performance evaluation, the BNRC will recommend to the Board for approval, all compensation, in whatever form, payable to the MD & CEO and other WTDs. This will be subject to necessary approvals from the regulators and shareholders, wherever applicable.

The KPIs for KMP/SMP shall be in accordance with the guidelines on performance parameters in IRDAI's Compensation Guidelines. The performance against KPIs for KMPs/SMPs shall be used to determine the variable pay payable to KMPs/SMPs and will also form the basis for revision of their Fixed Pay. The BNRC will recommend to the Board for approval, all compensation, in whatever form, payable to KMP/SMPs.

For other employees, the MD & CEO and Head of Human Resources shall be responsible for execution of the compensation strategy and plan (including fixed pay and performance-linked variable pay) for the Company in line with the Compensation Policy.

The compensation of staff engaged in all control functions including the Risk, Compliance, Internal Audit and Actuarial functions will depend on their performance which is based on achievement of key results of the respective functions and independent of the business areas they oversee. The Company follows a consistent rewards practice across business and control groups where the mix of fixed and variable compensation is weighed in favour of fixed for the junior levels. The same principle will be applied for the control functions.

The Head of Human Resources will present the compensation proposal for review to the BNRC annually. The review of compensation decisions involve:

- Review of the prevalent and emerging trends in the market with specific reference to compensation provided
- Review of compensation policies in line with emerging employee needs and organisation priorities
- Decisions pertaining to annual increments, performance bonus and long-term pay (stock option grants / stock unit grants / long-term reward)

**Review of prevalent and emerging market trends:** Emerging market trends constitute an important input to compensation decisions. It is therefore of prime importance to capture

and develop a thorough understanding of market dynamics with respect to compensation trends. The Company chooses a mix of commissioned and sponsored surveys carried out by chosen service providers with specialised knowledge in the area of compensation, study of information as available in the public domain, and self-initiated surveys.

**Review of organisation priorities and employee needs:** The Human Resources function engages on an ongoing basis in understanding the changing organisation 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 and stock option / stock unit / long-term reward grants 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 based on market data of the relevant comparator group, internal equity and capacity to pay considerations. The overall budget for increments and the merit increment grid for employees shall be approved by the BNRC.
- **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 shall be approved by the BNRC.
- **Grant of long-term pay:** Stock options or stock units may be granted based on availability of stock options / stock units for grant, performance of the Company and performance and talent ratings at the individual level. The eligibility criteria, maximum number of stock options / stock units that may be granted at each level and the stock option / stock unit grant grid shall be approved by the BNRC and the Board. The Company may also grant long-term reward based on performance of the Company, affordability and performance & talent ratings at the individual level. The eligibility criteria and maximum long-term reward that may be granted at each level shall be approved by the BNRC and the Board.

The Company may support growth of its subsidiary(ies) by extending retention pay, grant of Company stock options / stock units, long-term reward or any other benefits to employees of the subsidiary(ies), as deemed fit and as applicable.

Any special compensation intervention not mentioned above that may be taken up at a Company, function or individual level is subject to the approval of the MD & CEO and Head of Human Resources, and shall be informed to the BNRC.

## **Part B: Compensation policy for the MD & CEO, Other Whole-time Directors, KMPs and SMPs**

IRDAI's Compensation Guidelines requires the Company to formulate and adopt a comprehensive remuneration policy covering the Whole-time Directors, KMPs and SMPs with certain pre-requisites and disclosure norms.

## **Approach**

The Company has historically followed prudent compensation practices under the guidance of the Board and the BNRC. The Company's approach to compensation is based on the ethos of meritocracy and fairness within the framework of prudent risk management. The approach aims to promote the alignment of compensation with the strategic priorities and the long-term interest of the Company and promote sound overall governance & fair treatment of customers. Compensation will be aligned to both financial and non-financial indicators of performance including controls like risk management, process perspective, customer perspective and others.

The policy aims to ensure that:

- a) Compensation is adjusted for all types of risk,
- b) Compensation outcomes are symmetric with risk outcomes,
- c) Compensation payouts are sensitive to the time horizon of the risk, and
- d) The mix of cash, equity and other forms of compensation are consistent with risk alignment.

## **Compensation Structure**

The Compensation structure is delivered through inter-alia the following composition of elements that meet the objective of attracting, rewarding and retaining talent:

- 1. Fixed Pay
- 2. Variable Pay
- 3. Post-retirement Benefits

Annual compensation shall be the aggregate of Fixed Pay and Variable Pay for a particular financial year.

### **1. Fixed Pay**

Fixed pay will include basic pay, allowances, non-cash benefits and perquisites, contribution towards retirals and all other fixed items of compensation. Retirals include retiral contributions such as Employer's contribution to Provident Fund and Gratuity for KMPs/SMPs and additionally includes superannuation (with option to cash out) for WTDs.

### **2. Variable Pay**

Variable pay shall be in the form of bonus and/or share-linked instruments, such as Employee Stock Options or Employee Stock Units. Any variable pay shall be paid / granted to any WTD, KMP or SMP only once during a financial year.

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 Employee Stock Options or

Employee Stock Units. The same limit would be 70%, in case the Variable Pay is above 200% of the Fixed Pay.

A minimum of 50% of the variable pay for WTDs/KMPs/SMPs will be under deferment. If the variable pay amount is under ₹ 25 lacs, the deferment shall not be applicable. The deferral period would be spread over a minimum period of three 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 prorata basis. Additionally, vesting will not be more frequent than on a yearly basis.

In the event of a reasonable evidence of deterioration in financial performance in the form of drop in the Value of New Business (VNB) from one financial year to the next by 25% or more, the BNRC and Board may evaluate the conditions leading to the deterioration, including changes in regulations, force majeure, market conditions, industry performance, economic, social or other conditions whether in or outside the control of the Company or any person and other relevant factors, and based on such evaluation, the BNRC and Board may consider an appropriate contraction in the total amount of variable pay payable for that year with due regard to principles of proportionality, and which may even be reduced to zero.

In case of retirement, early retirement, resignation, death or permanent disability of WTD(s)/KMP(s)/SMP(s), the deferred variable pay in the form of share-linked instruments shall vest / be paid, as applicable, as per the provisions of the respective Employee Stock Option Scheme / Employees' Stock Unit Scheme / long term reward scheme approved by the BNRC and Board. In case of death or permanent disability of WTD(s)/KMP(s)/SMP(s), whole of the deferred performance bonus shall be paid immediately to the employee's successors, or the employee, as the case maybe. In case of retirement, early retirement or resignation of WTD(s)/KMP(s)/SMP(s), the deferred performance bonus shall be paid as per the deferral schedule approved by the BNRC and Board.

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.

In case of termination from the services of the Company as per the directives of a Court / Tribunal / other competent Authorities, or termination by the Company in case of fraud / criminal offences etc., the deferred pay shall be forfeited subsequent to approval of the same by the BNRC and Board.

#### **a) Performance bonus**

A minimum of 50% of the bonus for WTDs/KMPs/SMPs will be under deferment. If the bonus amount is under ₹ 25 lacs, the deferment shall not be applicable. The deferral period would be spread over a minimum period of three 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 prorata basis. Additionally, vesting will not be more frequent than on a yearly basis.

**b) Long-term pay**

Long-term pay may be administered through employee stock options or employee stock units in line with the Company's Employee Stock Option Scheme or Employees' Stock Unit Scheme. Stock options or stock units may be granted in accordance with regulatory guidelines including SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 and subject to availability of stock options / stock units for grant in line with the performance of the Company. The eligibility criteria, maximum number of stock options / stock units would be in accordance with the approval of the BNRC and Board.

Stock options / Stock units are fair valued using the Black-Scholes model and based on the last closing price of the shares of the Company at a domestic stock exchange having highest volumes on the immediate business day prior to grant.

WTDs, KMPs and SMPs shall not be issued / granted any sweat equity shares.

**c) Alignment of compensation to prudent risk parameters**

To ensure effective alignment of compensation with prudent risk parameters, the Company will include the following minimum parameters to determine the performance assessment of all WTDs, KMPs and SMPs for payment of variable pay, along with any other pre-defined performance objectives of the Company as may be determined by the BNRC and the Board:

- 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;
- v. Reduction in unclaimed amounts of policyholders;
- vi. 37<sup>th</sup> month, 49<sup>th</sup> month and 61<sup>st</sup> month persistency; and
- vii. Overall Compliance status with respect to all applicable laws

The above parameters shall constitute at least 60% of the total weightage in the performance assessment matrix i.e. the KPIs of MD & CEO and other WTDs; and at least 30% of the total weightage in the performance assessment matrix i.e. the KPIs of other KMPs and SMPs. The weightage for each of the KPIs may be configured suitably by the BNRC and Board. The Company may also define additional KPIs which shall be in line with the Company's business strategy and plan, such as customer-related KPIs, risk-related KPIs, market share-related KPIs, KPIs related to specific lines of business such as protection etc, people-related KPIs etc.

Ensuring balance in setting performance objectives, capping the payout of performance bonus and following an annual payout cycle for variable pay ensures that prudent behaviour is suitably encouraged and rewarded.

**d) Malus and Claw-back**

Variable pay shall be subject to malus and claw-back provisions.

In the event of a reasonable evidence of deterioration in financial performance in the form of drop in the Value of New Business (VNB) from one financial year to the next by 25% or more, the BNRC and Board may evaluate the conditions leading to the deterioration, including changes in regulations, force majeure, market conditions, industry performance, economic, social or other conditions whether in or outside the control of the Company or any person and other relevant factors, in deciding to apply or not apply malus / claw-back on none, part or all of the variable compensation of the previous year. In deciding to apply or not apply malus / claw-back on none, part or all of the variable compensation of the previous year, the BNRC and Board shall, in its evaluation, have due regard to 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.

Further, 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. materially inaccurate financial statements due to the result of misconduct including fraud, or
- v. poor compliance in respect of corporate governance and regulatory matters, or
- vi. any other act detrimental to the interest of the Company including and not restricted to violation of the Company's Code of Conduct, the ICICI Group Code of Business Conduct & 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 (including employees who were transferred or deputed or resigned to join a Subsidiary/Associate Company/Holding Company),

the BNRC may decide to apply Malus and/or Claw-back on part or all of the variable pay of WTDs and KMPs/SMPs including unvested/vested/paid/unpaid deferred variable pay. In case the stock options / stock units have been exercised, claw-back on shares acquired and/or return of amount based on exercise of options / units shall be as prescribed under the applicable statutory / regulatory provisions from time to time and as decided by the BNRC and Board. Due process including inquiries or

investigations as required and/or adherence to principles of natural justice are ensured prior to conclusion on the above events of breaches and which would form the basis of decisions. Error of judgment shall not be construed to be a breach under this policy.

Malus and claw-back in relation to share-linked instruments applies on grants made with effect from April 1, 2023 for the balance length of service / employment of the concerned person with the Company, and shall survive the resignation, retirement, early retirement or termination of the concerned person. The same shall be done based on the given facts and circumstances, and through due legal process for recovery of amounts adjudged for claw-back or as damages suffered or as recoverable by the Company. Malus and claw-back shall be applied for the Deferment Period as applicable to deferred variable pay in terms of this Compensation Policy. This is in addition to, and without contradicting the existing clause in the Employee Stock Option Scheme / Employees' Stock Unit Scheme that specifies lapsing of grants including vested stock options / units for terminated (including terminated for cause) or exiting employees applicable for grants made in terms of the aforementioned Schemes from time to time.

The Company already had malus and claw-back arrangements in place for WTDs for performance bonus, and the same shall continue to be applicable. Malus and claw-back in relation to performance bonus shall now also apply on grants to KMPs/SMPs made with effect from April 1, 2023, and for both WTDs and KMPs/SMPs, in relation to bonus grants effective April 1, 2023, malus and claw-back shall be applied for the Deferment Period as applicable to deferred variable pay in terms of this Compensation Policy, for the balance length of service / employment of the concerned person with the Company, and shall survive the resignation, retirement, early retirement or termination of the concerned person.

WTDs and KMPs/SMPs will be required to sign malus and claw-back agreements for variable pay, including bonus and Employee Stock Options / Employee Stock Units, which shall be treated as part of their employment contract with the Company.

### **3. Post-retirement benefits**

The MD & CEO, other WTDs and KMPs/SMPs retiring from the services of the Company shall be eligible for post-retirement benefits as outlined in the Company's Policy for Post-Retirement Benefits as approved by the Head of Human Resources.

#### **Guaranteed bonus & Severance pay**

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 the compensation plan. Joining or sign-on bonus may only be payable in the context of hiring new staff and will be limited to the first year of employment. Grant of employee stock options / stock units shall be the preferred form for joining or sign-on bonus.



Such joining or sign-on grants / bonus will not be considered as a part of fixed or variable pay.

Further, other than accrued retirement benefits (such as leave encashment, provident fund, superannuation and gratuity payable on retirement etc.) or any benefits arising under the employee early retirement scheme or any payments or benefits mandated by applicable law, no severance pay will be paid to Whole-time Directors, KMPs and SMPs. Notice period pay will not be considered as severance pay.

### **Age and tenure of MD & CEO, WTDs and KMP/SMPs**

The MD & CEO, other WTDs, and all KMPs/SMPs of the Company shall retire from the services of the Company on the last day of the month in which they complete 58 years of age, unless otherwise approved by the BNRC and Board. The BNRC and Board at their sole discretion may approve MD & CEO, WTDs or other KMPs/SMPs to continue in service beyond the age of 58 years.

Subject to the statutory approvals required from time to time, the position of MD & CEO or WTD shall not be held by the same incumbent for a continuous period of more than 15 years. Thereafter, the individual shall be eligible for re-appointment as MD and CEO or WTD in the Company, if considered necessary and desirable by the Board, after a cooling-off period of at least one year, subject to meeting other applicable conditions.

The MD & CEO, WTDs or other KMPs/SMPs may apply for early retirement under the Company's Early Retirement Scheme. Any application for early retirement from the MD & CEO, other WTDs or other KMPs/SMPs will need to be approved by the BNRC and Board.

### **Disclosure and accounting requirements**

The Company shall comply with the disclosure and accounting requirements prescribed by IRDAI, SEBI or any other regulatory or statutory requirement.

## **Part C: Compensation policy for all other employees**

### **Approach**

The Company has historically followed prudent compensation practices under the guidance of the Board and the BNRC. The Company's approach to compensation is based on the ethos of meritocracy and fairness within the framework of prudent risk management. The Company follows the cost to company approach while determining the compensation 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 set the overarching boundary conditions. The output from the performance management system and talent management system serve as the inputs for administration of the Compensation Policy.

## Compensation structure

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

1. Annual Guaranteed Pay (AGP)
2. Performance-linked variable Pay
3. Long-term Pay
4. Non-cash Benefits and Perquisites, and
5. Post-retirement Benefits

The compensation budget shall be based on affordability, projected business targets, staffing requirements and desired profitability ratios. The compensation structure shall be a prudent mix of AGP and performance-linked variable pay and the proportion of performance-linked variable pay with respect to AGP plus performance-linked variable pay shall be higher at senior levels.

1. **Annual Guaranteed Pay (AGP):** AGP consists of various components including basic salary, optional allowances and retirals. Optional allowances include a basket of components including house rent allowance, company car lease allowance, conveyance allowance, car maintenance and fuel expenses, domiciliary medical allowance, leave travel allowance, supplementary allowance, meal allowance, gift allowance, superannuation allowance & national pension scheme (for applicable employees) or any other allowance(s) introduced from time to time. The employee has the flexibility to design the allowances basket subject to the maximum limit that has been prescribed. Retirals include statutory contributions such as Employer's contribution to Provident Fund and Gratuity. The basic salary is determined as a fixed percentage of the AGP to the maximum extent possible, thereby ensuring prudent management of the compensation structure.
2. **Performance-linked Variable Pay:** The performance-linked variable pay budget is determined based on the Company's capacity to pay. The extent of performance-linked variable pay for individual employees is linked to individual performance for sales frontline employees and to individual and organisation performance for non-sales frontline employees and employees in the management cadre. Hence, performance-linked variable pay serves as an effective instrument for managing employee costs in line with business cycles whilst simultaneously reinforcing a meritocratic performance culture.

The performance-linked variable pay for sales frontline employees is given in the form of sales incentives. Sales incentive payouts are based on individual performance targets as may be defined from time to time and affordability considerations.

Performance-linked variable pay for non-sales frontline employees and employees in the management cadre are given in the form of PLR (Performance Linked Reward) for employees in level 1-6 and performance bonus for employees in level 7 & above. The performance bonus is capped at a maximum of 100% of basic salary for the

individual with the highest performance rating. The performance rating assigned is based on assessment of performance delivered against a set of defined performance objectives. These objectives are balanced in nature and comprise a holistic mix of financial, customer, people, process, quality, compliance objectives as applicable and/or any other parameters as may be deemed fit.

- 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 the Company's Employee Stock Option Scheme, the Employees' Stock Unit Scheme or long-term reward scheme of the Company. 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 grant of employee stock options, employee stock units or long-term reward could include organisation performance, individual performance, potential assessment, level, vintage, conduct and any other relevant parameters.

Stock options / stock units 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, role criticality and skills.

- 4. Non-cash benefits and perquisites:** Non-Cash Benefits and perquisites are provided to employees to supplement rewards and meet non-financial & other requirements and may be linked to their level in the organisation, vintage, individual performance, AGP or a combination of these factors. Non-cash benefits and perquisites offered inter-alia include the following and any other such benefit / perquisite introduced from time to time:
- Leave
  - Hospitalisation insurance for employees and dependents
  - Group term insurance
  - Personal accident insurance
  - Company car
  - Club membership
  - Company assets for home office
  - Executive health checkup
  - Domiciliary medical reimbursement
  - Employees' children with special needs
  - Employee children's sports scholarship scheme
  - Employee children's education scholarship scheme

- 5. Post-retirement Benefits:** Employees retiring from the services of the Company shall be eligible for post-retirement benefits as outlined in the Company's Policy for Post-Retirement Benefits as approved by the Head of Human Resources.

**Guaranteed bonus:** Guaranteed bonuses are not consistent with the principles of meritocracy and the Company shall not encourage any kind of guaranteed bonus. Joining or sign-on bonus shall be granted in the context of hiring new staff from the market and shall be limited to the first year of employment.

### **Malus and Claw-back**

Effective April 1, 2023, for employees at levels where long-term pay is granted, performance bonus shall be subject to claw-back provisions and long-term pay shall be subject to malus and claw-back provisions.

In the event of a reasonable evidence of deterioration in financial performance in the form of drop in the Value of New Business (VNB) from one financial year to the next by 25% or more, the BNRC and Board may evaluate the conditions leading to the deterioration, including changes in regulations, force majeure, market conditions, industry performance, economic, social or other conditions whether in or outside the control of the Company or any person and other relevant factors, in deciding to apply or not apply malus / claw-back on none, part or all of the variable compensation of the previous year. In deciding to apply or not apply malus / claw-back on none, part or all of the variable compensation of the previous year, the BNRC and Board shall, in its evaluation, have due regard to 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.

Further, 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. materially inaccurate financial statements due to the result of misconduct including fraud, or
- v. poor compliance in respect of corporate governance and regulatory matters, or
- vi. any other act detrimental to the interest of the Company including and not restricted to violation of the Company's Code of Conduct, the ICICI Group Code of Business Conduct & 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 (including employees who were transferred or deputed or resigned to join a Subsidiary/Associate Company/Holding Company),

the Governance Council / Appellate Authority may decide to apply Malus and/or Claw-back on part or all of the long-term pay of employees including unvested/vested/paid/unpaid deferred long-term pay. In case the stock options / stock units have been exercised, claw-back on shares acquired and/or return of amount based on exercise of options / units shall be as prescribed under the applicable statutory / regulatory provisions from time to time and as decided by the Governance Council / Appellate Authority. Due process including inquiries or investigations as required and/or adherence to principles of natural justice are ensured prior to conclusion on the above events of breaches and which would form the basis of decisions. Error of judgment shall not be construed to be a breach under this policy.

Malus and claw-back in relation to share-linked instruments and long-term reward scheme applies on grants made with effect from April 1, 2023 for the balance length of service / employment of the concerned person with the Company, and shall survive the resignation, retirement, early retirement or termination of the concerned person. The same shall be done based on the given facts and circumstances, and through due legal process for recovery of amounts adjudged for claw-back or as damages suffered or as recoverable by the Company. Malus and claw-back shall be applied for the Deferment Period as applicable to deferred long-term pay in terms of this Compensation Policy. This is in addition to, and without contradicting the existing clause in the Employee Stock Option Scheme / Employees' Stock Unit Scheme that specifies lapsing of grants including vested stock options / units for terminated (including terminated for cause) or exiting employees applicable for grants made in terms of the aforementioned Schemes from time to time.

Claw-back in relation to performance bonus shall apply on grants made with effect from April 1, 2023, and shall be applied for the Deferment Period as applicable to deferred variable pay in terms of this Compensation Policy, for the balance length of service / employment of the concerned person with the Company, and shall survive the resignation, retirement, early retirement or termination of the concerned person.

Effective April 1, 2023, employees at levels where long-term pay is granted will be required to sign malus and claw-back agreements as applicable, for performance bonus and long-term pay, which shall be treated as part of their employment contract with the Company.

**Part D: Compensation policy for non-executive Directors (including non-executive non-Independent Chairman/Chairperson, if any)**

The remuneration payable to non-executive Directors would be governed by extant applicable requirements prescribed by IRDAI, SEBI or any other relevant authority, the Companies Act, 2013 and the Insurance Act, 1938.

Considering the above, the permitted modes of remuneration for 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 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.

Only the Independent Directors on the Board of the Company will be paid profit related commission, in accordance with the extant applicable regulatory or statutory requirements.

No compensation shall be paid to any non-executive non-Independent Directors, including any Nominee Directors, if any, or those non-executive Directors nominated by promoters of the Company.

Non-executive Directors shall not be eligible for any equity linked benefits, in accordance with the applicable guidelines and provisions of IRDAI, Companies Act, 2013, or any other statutory/ regulatory requirement.

#### **Disclosure requirement (Non-executive/Independent Directors)**

The amount of remuneration paid to each non-executive/Independent Directors shall be disclosed in the Notes to the Accounts forming part of the Annual Financial Statements. In case no remuneration is paid during a year, the same shall be specifically disclosed.

#### **Age and tenure**

The Company shall adhere to the age and tenure requirements of non-Executive Directors as outlined in the Compensation Guidelines.

#### **Part E: Compensation policy for non-executive Independent Director as Chairman/Chairperson of the Company, if any**

The remuneration payable in the case of an Independent Director being the Chairman/Chairperson of the Company would be governed by the Insurance Act, 1938, the provisions of extant applicable IRDAI guidelines, the applicable provisions of Companies Act, 2013, the requirements prescribed by Securities and Exchange Board of India (SEBI) or any other statutory/regulatory requirement as may be prescribed.

In keeping with the above, the following may be extended for an Independent Director being the Chairman/Chairperson of the Company:

- An office, including its maintenance, at the Company's expense, bearing/reimbursing expenses for travel on official visits and participation in various forums, both in India and abroad, as Chairman of the Company and bearing/reimbursing travel/halting/other expenses and other such allowances, as may be required, for attending to duties as Chairman of the Company,

- 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,
- Reimbursement of expenses for attending Board/Committee meetings, official visits and participation in various forums on behalf of or as director of, the Company, and
- Profit related commission as approved by the Board and shareholders, subject to availability of requisite profits and in compliance with applicable statutes/regulations.

Non-executive Directors (including non-executive Independent Director appointed as the Chairperson of the Company) shall not be eligible for any equity linked benefits, in accordance with the applicable guidelines and provisions of IRDAI, Companies Act, 2013, or any other statutory/ regulatory requirement.

#### **Disclosure requirement (Non-executive/Independent Directors)**

The amount of remuneration paid to each non-executive/Independent Directors shall be disclosed in the Notes to the Accounts forming part of the Annual Financial Statements. In case no remuneration is paid during a year, the same shall be specifically disclosed.

#### **Age and tenure**

The Company shall adhere to the age and tenure requirements of non-Executive Directors as outlined in the Compensation Guidelines.

***\*Last Reviewed and approved by the Board in its Meeting dated October 17, 2023***