

# **TATA AIA Life | Nomination and Remuneration Policy**

Policies and Procedures

**Version 1.1 | POLICY/HR/FY20**

**Human Resource Department**

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## 1 Introduction

The philosophy for remuneration of Directors, Key Managerial Personnel and employees of the Company is based on the commitment of fostering a culture of leadership with trust. The remuneration policy is aligned to this philosophy.

In accordance with Section 178 of the Companies Act, 2013 and Guidelines on Corporate Governance issued by Insurance Regulatory Development Authority of India (IRDAI) and applicable provisions, the Company is required to constitute Nomination and Remuneration Committee which will report to the Board and have a Board Nomination and Remuneration Policy ['Policy'] approved by the Board.

Pursuant to the said requirements, the Company has formulated Nomination and Remuneration Policy covering nomination and remuneration of Directors, KMP and Senior Management.

## 2 Objective

Following factors are being considered while formulating the Policy.

- a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- c) Remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.
- d) To have mechanisms in place for effective supervisory oversight and Board engagement in Compensation

## 3 Definitions

- a) Board – Board of Director of the Company
- b) Director – Directors of the Company

- c) Nomination and Remuneration Committee (“NRC”) – Nomination and Remuneration Committee of the Company constituted by the Board of Directors of the Company in accordance with the Act and applicable rules and/or regulations.
- d) Independent Director – A director referred to in Section 149(6) of the Companies Act 2013 with rules and/or regulations
- e) Key Managerial Person (“KMP”) : means members of the core management team including all whole-time directors / Managing Directors / CEO and the functional heads one level below the MD / CEO, including the CFO, Appointed Actuary, Chief Investment Officer, Chief Risk Officer, Chief Compliance Officer and the Company Secretary. Chief Human Resource Officer, Chief of Company Strategy, Chief Distribution Officer(s), Head Internal Audit and the Chief Operating Officer.

#### **4 Role of the Nomination and Remuneration Committee :**

**A.** The Role and Responsibilities of the Nomination and Remuneration Committee as per Companies Act 2013 includes the following:

- a) To formulate criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel (KMP) and other employees.
- b) To ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully, relationship of remuneration to performance is clear and meets appropriate performance benchmarks, and remuneration to Directors, Key Managerial Personnel and Senior Management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.
- c) To formulate criteria for evaluation of Independent Directors and the Board.
- d) To identify persons who are qualified to become Directors and who may be appointed in Senior
- e) Management in accordance with the criteria laid down in this policy.
- f) To carry out evaluation of Director’s performance.

- g) To recommend to the Board the appointment and removal of Directors and Senior Management.
- h) To devise a policy on Board diversity, composition, size.
- i) Succession planning for replacing Key Executives and overseeing.
- j) To carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.
- k) Perform such other functions as may be necessary or appropriate for the performance of its duties.
- l) The Committee may issue guidelines, procedures, formats, reporting mechanism and manuals in supplement and for better implementation of this policy as considered appropriate.
- m) The Committee may Delegate any of its powers to one or more of its members.
- n) To disclose policy in the Board's report.

**B. The Role and Responsibility of Nomination and Remuneration Committee as per IRDAI Corporate Governance Guidelines includes following: -**

- To determine on behalf of the Board and on behalf of the shareholders with agreed terms of reference, the Company's policy on specific remuneration packages and any compensation payment, for the CEO and the Executive Directors of the Company.
- To ensure that the remuneration package -are closely connected with the performance objectives laid down for the senior management.
- The Chairman of the Committee could be present at the Annual General Meeting, to answer the shareholders' queries. However, it would be up to the Chairman to decide who should answer the queries.
- To scrutinize the declarations of intending applicants before the appointment/reappointment/election of Directors by the shareholders at the General Meetings. The Committee could also make independent/ discreet references, where necessary, well in time to verify the accuracy of the information furnished by the Director.

- Remuneration paid to Directors shall be disclosed in Annual Financial Statements of the Company.
- Qualitative and Quantitative disclosure shall be made in the Annual Report of the Company

IRDAI vide its Guidelines requires the Company to have qualitative and quantitative disclosure of remuneration paid to MD & CEO.

**Qualitative disclosures:**

- The Remuneration Policy is formulated in accordance with Section 178 of the Companies Act, 2013 and Guidelines by Insurance Regulatory Development Authority of India and applicable provisions.
- The objectives of the Nomination & Remuneration Policy is to ensure that the level and composition of remuneration should be reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully and it should involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.
- The philosophy for remuneration of Directors, Key Managerial Personnel and employees of the Company is based on the commitment of fostering a culture of leadership with trust. The remuneration policy is aligned to this philosophy.
- The Company has formulated Nomination and Remuneration Policy covering nomination and remuneration of Directors, KMP and Senior Management. During the year under consideration no changes is being carried out in such policy. The Nomination and Remuneration Policy is placed on the website of the Company at <https://www.tataaia.com>

**Quantitative Disclosures:**

The details of quantitative disclosure for remuneration of the Managing Director and Chief Executive Officer are given below:

- MD & CEO has received variable remuneration award during the financial year.
- Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms.
- Details of guaranteed bonus, if any, paid as joining/ sign on bonus

- Number and total amount of sign on awards made during the financial year

## **5 Appointment and Removal of Director, Key Managerial Personnel and Senior Management**

### **a) Appointment criteria and qualifications of Director, Key Managerial Personnel and Senior Management.**

- i. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend the appointment, as per Company's Policy.
- ii. A person should possess adequate qualification, expertise and experience for the position being considered for appointment. The Committee has authority to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the position.
- iii. The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy (70) years. Provided that the term of the person holding his position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution.

### **b) Term / Tenure of Director, Key Managerial Personnel and Senior Management.**

#### **i. Chief Executive Officer & Managing Director/Whole-time Director :**

The Company shall appoint or re-appoint any person as its Chairman, Chief Executive Officer & Managing Director for a term not exceeding 5 (five) years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

#### **ii. Independent Director:**

- An Independent Director shall hold office for a term up to 5 (five) consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
- No Independent Director shall hold office for more than two consecutive terms of upto maximum of 5 years each, but such Independent Director shall be

eligible for appointment after expiry of three years of ceasing to become an Independent Director.

- Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.
- At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company or such other number as may be prescribed under the Act.

c) Evaluation

The Committee shall carry out evaluation of performance of Director, KMP and Senior Management Personnel yearly basis or at such intervals as may be considered necessary.

d) Removal

The Committee may recommend with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the Companies Act, 2013, rules and regulations and the policy of the Company.

e) Retirement

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

## 6 Compensation Philosophy

The purpose of a Tata AIA Life's competitive compensation is to attract, retain, and motivate suitable people. To accomplish Company's goals, the Company uses a mixture of the main components of compensation : Base pay, Short Term incentive Pay, Long Term Incentive Pay, Benefits, Vacations, Pensions and Perquisites. The Company maintains a



meaningful degree of competitiveness with the relevant external labour market to remain competitive in the marketplace and the fundamental fairness to all stakeholders, taking into account the risk and return on their investment. Company is aggressive in total overall compensation through the use of the Incentives/Performance Bonus.

The Company offers equity to all employees, so that they can achieve the rewards. The Company values the potential of the employee and has one of the best pay practice in the market. The Company adheres to Code of Conduct and is compliant with IRDAI rules and regulations from time to time.

## 7 Forms of Compensation

The Compensation structure is broadly divided into Fixed and Variable Pay.

- a) Fixed Pay : is defined as Total Fixed Cost to Company i.e. Salary, Retirals, Allowances and other Benefits and will include calculated value of benefits like Car, Driver and Fuel. The Fixed Compensation shall be reasonable, taking into account relevant factors including the Grade, Competency, Competition, industry benchmark practice and performance of the employee, Team and Company.
- b) Variable Pay : is linked to assessment of performance and potential. This would be based on Balanced Score Card (BSC) and Key Result Areas (KRAs) and achievement of targets with overall linkage to the Company Budgets and business/functional targets/objectives.

Depending on the nature of the business/function, the risk involved, the time horizon for review of quality and longevity of the assignments performed, various forms of Variable Pay may be applicable. The main forms of such incentive compensation will include:

Deferred Cash : is a retention bonus/incentive in the form of cash paid under Long Term Incentive Plans as per the approved design principle of such plans.

## 8 Remuneration Committee & Review Process

The Committee will meet at least once a year for Compensation Review and has the following responsibilities :

- a) Overview the design and operation of the compensation policy of the Company.
- b) To achieve alignment between risks and remuneration.
- c) To apprise of income ratio of the Company and the overall health of the Company.

- d) Approve the compensation of the Whole Time Directors (WTDs)/ CEO & MD, KMP, Senior Management personal and other employees of the Company.
- e) Review the Remuneration Disclosure Requirements annually for submission to any Regulator.

**9 Policy for Remuneration to Directors / KMP / Senior Management Personnel and Employees.**

a) Remuneration to Chief Executive Officer & Managing Director / Whole-time Directors:

- i. The Remuneration / Commission, etc. shall be governed as per provisions of the Companies Act, 2013 and rules made there under or any other enactment for the time being in force and the approvals obtained from the Members of the Company.
- ii. The Nomination and Remuneration Committee shall make such recommendations to the Board of Directors, as it may consider appropriate with regard to remuneration to Chief Executive Officer & Managing Director / Whole-time Directors.
- iii. Prior approval from the Authority shall be required for the remuneration to be paid.
- iv. The remuneration will be linked to performance parameters such that :
  - 1) It is adjusted for all types of risks.
  - 2) Remuneration outcomes are symmetrical with risk outcomes, and
  - 3) The payouts are sensitive to the time horizon of the risk.
  - 4) Pay mix (i.e. cash, equity and other forms of remuneration) should be consistent with risk alignment.
- v. The minimum risk parameters that will be considered by the Nomination and Remuneration Committee and the Board for assessing performance and suitable risk adjustment will cover aspects related to:
  - 1) Persistency
  - 2) Solvency
  - 3) Grievance Redressal
  - 4) Expenses of Management
  - 5) Claim Settlement
  - 6) Claim repudiations
  - 7) Overall compliance status
  - 8) Overall financial position such as net worth position, assets under management (“AUM”) etc.)

vi. Pay Mix :

- 1) Total remuneration will have a fixed component (inclusive of guaranteed cash and retirals), and a variable component linked to individual and organizational performance in the form of cash or stock linked payout or mix of both. Proper balance between fixed and variable components will be ensured and as determined by the Nomination and Remuneration Committee and the Board and in accordance with the IRDAI guidelines.
- 2) Fixed Pay – Fixed portion of the compensation will be a reasonable amount, as determined by Nomination and Remuneration Committee and the Board.
- 3) Variable Pay: To ensure that any future grants (by whatever name called) that are given, if construed as variable pay, should have a proper balance of pay mix in line with the company guidelines. variable pay could be in cash or stock linked instruments or mix of both. However, Employee Stock Option Plan ['ESOP'] shall be excluded from the components of variable pay. It will be ensured that in case any fresh grant or payout given has both cash and stock linked components, a reasonable balance is maintained between the two types of components. In case Variable Pay constitutes a substantial portion of the Total Remuneration, then at least 40% of the same shall be deferred over a minimum period of 3 years. The Nomination and Remuneration Committee may, if it deems fit, recommend any higher proportion of variable pay to be deferred. In this regard, 'substantial portion' shall mean 50% or more of the Total Remuneration The payout of such deferred portion should not vest faster than on pro rata basis
- 4) Total payout of variable pay will be directly proportional to the financial performance of the Company and the risk parameters defined in this sub section. In case there is deterioration in the same, the variable payout will contract in accordance with adjustment for these parameters.

vii. Stock or Shares :

- 1) If given as ESOP
  - ESOP will be kept outside the computation of total remuneration for the purposes of calculation of total pay as specified under the Remuneration Guidelines. However, ESOPs for CEO/MD/Director/WTD shall require the prior approval of IRDAI;

- The extent of ESOP grant will be reasonable as approved by NRC/Board;
- Details of ESOP grants will be disclosed in line with disclosure requirements stipulated for the financial statements of the Company;
- If ESOPs are issued to the CEO/MD/Director/WTD/Manager who is one of the promoters / investors or directly related to the promoters, then the grants will be governed by the provisions of SEBI (Issue of Sweat Equity) Regulations, 2002. In other cases, the same will be governed by the SEBI's ESOP guidelines.

2) If given as Sweat Equity:

- If the CEO/MD/WTD is one of the promoters / investors or directly related to the promoters, then the grants will be governed by the provisions of SEBI (Issue of Sweat Equity) Regulations, 2002 as amended from time to time except those relating to pricing of shares. The manner of pricing of shares shall be disclosed upfront to IRDAI.

viii. Clawback :

- 1) In case of the unvested and unpaid portion of the deferred variable pay, appropriate mechanism will be put into place with respect to clawback, which will be appropriately linked to parameters as defined in If given as ESOP.
- 2) NRC / Board will track performance of the parameters given above or of the relevant line of business in every year during the vesting period. In case of negative performance observed in any year (based on appropriate facts including observation and verification of risk outcomes), such unvested / unpaid portions will be subject to clawback. However, while exercising such provisions due consideration will be given to actual / realised performance of the Company.

ix. Guaranteed Bonus : The Remuneration structure will not include guaranteed bonus of any kind as part of the remuneration plan of CEO/MD/WTD except sign on/joining bonus, if required. The same will be governed by the following principles in line with the Remuneration Guidelines:

- 1) Sign on bonus or Joining Bonus will be given only to new hires;
- 2) Grant will be limited to first year;

- 3) Grant will be in the form of ESOP only;
- 4) The payout may be deferred beyond the year of joining.
- 5) It will be given with prior approval of NRC/ Board.

b) Remuneration to Non- Executive / Independent Directors:

- i. The Non-Executive / Independent Directors may be paid sitting fees (for attending the meetings of the Board and of Committees of which they may be members) and such other remuneration within regulatory limits. Quantum of sitting fees may be subject to review on a periodic basis, as required. Within the parameters prescribed by law, the payment of sitting fees and remuneration will be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors.
- ii. All the remuneration of the Non- Executive / Independent Directors (excluding remuneration for attending meetings as prescribed under Section 197 (5) of the Companies Act, 2013) shall be subject to ceiling / limits as provided under Companies Act, 2013 and rules made there under or any other enactment for the time being in force. The amount of such remuneration shall be such as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors or shareholders, as the case may be.
- iii. An Independent Director shall not be eligible to participate in any share based payment schemes of the Company.
- iv. Any remuneration paid to Non- Executive / Independent Directors for services rendered which are of professional in nature shall not be considered as part of the remuneration for the purposes of clause (ii) above if the following conditions are satisfied:
  - The Services are rendered by such Director in his capacity as the professional; and
  - In the opinion of the Committee, the director possesses the requisite qualification for the practice of that profession.

c) Remuneration to Key Managerial Personnel and Senior Management:

- i. The remuneration to Key Managerial Personnel and Senior Management shall consist of fixed pay and variable pay, in compliance with the provisions of the Companies Act, 2013 and in accordance with the Company's Policy.

- ii. The Fixed pay shall include monthly remuneration, employer's contribution to Provident Fund, contribution to pension fund, pension schemes, etc. as decided from to time.
- iii. The Variable pay shall be decided based on the balance between performance of the Company and performance of the Key Managerial Personnel and Senior Management, to be decided annually or at such intervals as may be considered appropriate.

d) Remuneration to Employees

- i. The remuneration to employees shall consist of fixed pay and variable pay, in compliance with the provisions of the Companies Act, 2013 and in accordance with the Company's Policy.
- ii. The Fixed pay shall include monthly remuneration, employer's contribution to Provident Fund, contribution to pension fund, pension schemes, etc. as decided from to time.
- iii. The Variable pay shall be decided based on the balance between performance of the Company and performance of the employees, to be decided annually or at such intervals as may be considered appropriate. Such remuneration shall be at par with the industry practice and standards.
- iv. Every employee of the Company adopts a goal sheet, outlining the responsibilities and deliverables for the year. The Company has a judicious and prudent approach to remuneration and does not use remuneration as the only lever to attract and retain employees.

## 10 Policy Implementation

The Committee shall be responsible for recommending the Policy to the Board. The Board shall approve basis recommendation and shall oversee the implementation of the Policy.

## 11 Ownership and Review of Policy:

This Policy is owned by Human Resources team has the responsibility to implement and ensure compliance to this Policy. Any deviation to this Policy is to be reported to the Board of Directors of the Company through Nomination and Remuneration Committee of the Company.

This Policy will be reviewed annually by the Committee and appropriate recommendations shall be made to the Board to update this Policy based on changes that may be brought about due to any regulatory amendments or otherwise

**Note:**

*The breach of the policy will be viewed as breach/violation of code of conduct of the Company and may lead to action against employee which may also include termination of employment.*

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