



# Remuneration Policy

Table of Contents

<b>1. Introduction .....</b>	<b>3</b>
<b>1.1 Background.....</b>	<b>3</b>
<b>1.2 Objective .....</b>	<b>4</b>
<b>1.3 Applicability .....</b>	<b>4</b>
<b>1.4 Review and approval of the policy.....</b>	<b>4</b>
<b>1.5 Role of Nomination and Remuneration Committee.....</b>	<b>4</b>
<b>2. Policy Requirements .....</b>	<b>5</b>
<b>2.1 Philosophy.....</b>	<b>5</b>
<b>2.2 Remuneration &amp; Reward Policies.....</b>	<b>5</b>
<b>2.3 Remuneration of Non-Executive Directors.....</b>	<b>5</b>
<b>2.4 Remuneration of KMPs on deputation from SBI.....</b>	<b>6</b>
<b>2.5 Remuneration Structure of KMPs .....</b>	<b>6</b>
<b>2.6 Remuneration Structure of all other employees .....</b>	<b>10</b>
<b>2.7 Process .....</b>	<b>11</b>
<b>2.8 Disclosures in the Annual Report .....</b>	<b>11</b>
<b>3. Reporting .....</b>	<b>12</b>
<b>4. Record Keeping .....</b>	<b>12</b>
<b>5. Appendices .....</b>	<b>12</b>
<b>5.1 Definition: .....</b>	<b>12</b>

## 1. Introduction

### 1.1 Background

- In pursuance of Company's endeavour to attract, motivate and retain manpower in a competitive market, and in terms of the provisions of the Companies Act, 2013 and other applicable rules and regulations, this Policy on remuneration of Directors, Key Management Persons and other employees of the Company has been put in place.
- The Company's Remuneration Policy is guided by a reward framework and set of principles and objectives as more fully and particularly envisaged under section 178 of Companies Act 2013, IRDAI (Corporate Governance for Insurers) Regulations, 2024 and Master Circular issued thereunder and SEBI Listing Regulations.
- Section 178 clause (4) of the Companies Act, 2013 states that "The Nomination and Remuneration Committee (NRC) shall, while formulating the policy under sub-section (3) ensure that:
  - 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; and
  - c) remuneration to directors, key management persons 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."
- Clause 9.2 (b) of Master Circular on Corporate Governance for Insurers, 2024 states that "Nomination and Remuneration Committee of the insurer in consultation with the Risk Management Committee shall make a coordinated effort to have an integrated approach to the formulation of the remuneration policy. It shall ensure that:
  - a) Remuneration is adjusted for all types of risk,
  - b) Remuneration outcomes are symmetric with risk outcomes,
  - c) Remuneration payouts are sensitive to the time horizon of the risk, and
  - d) The mix of cash, equity and other forms of remuneration are consistent with risk alignment."
- Part D of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations (SEBI Listing Regulations): The role of the Nomination & Remuneration Committee include formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of Directors a policy, relating to the remuneration of the directors, key managerial personnel and other employees.

**Internal**

## **1.2 Objective**

- To define and implement overall remuneration philosophy and framework for payment of remuneration payable to Directors (Executive and Non-Executive), Key Managerial Persons and other employees of the Company.
- To ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets performance benchmarks. Remuneration shall consist of Fixed Pay including allowances, perquisites, retirement Benefits and Variable Pay including incentives, bonus, share linked instruments, joining / sign on bonus, etc.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- To ensure alignment of compensation with prudent risk taking.

## **1.3 Applicability**

All SBI Life employees, including Key Management Persons, Directors and employees in Senior Management are covered under this remuneration policy.

## **1.4 Review and approval of the policy**

The policy will be reviewed by Board Nomination and Remuneration Committee (NRC) and will be recommended to the Board of Directors for approval, at least annually or as and when required.

Any exception to this policy can be made with the approval of the Board on the recommendation of the Board Nomination and Remuneration Committee.

## **1.5 Role of Nomination and Remuneration Committee**

- NRC shall oversee and govern the compensation practices of the Company. The NRC in consultation with Risk Management Committee shall make a coordinated effort to have an integrated approach to the formulation of remuneration policy.
- The NRC shall evaluate and recommend the form of remuneration payable to the directors and Key Management Persons and make recommendations to the Board. It shall ensure that remuneration decisions on structuring, implementing and reviewing are made in an independent, informed, and timely manner at appropriate levels.
- The NRC shall ensure that the members of the Board/Committee are not placed in a position of actual and perceived conflict of interests with respect to remuneration decisions. In case of any remuneration discussion/decision of directors and/or KMP,

**Internal**

it shall be ensured that the concerned director and/or KMP shall not participate in the discussion/voting of the resolution. The NRC may constitute processes and checks to identify and eliminate any potential conflict of interest from time to time.

## **2. Policy Requirements**

### **2.1 Philosophy**

At SBI Life we follow contribution-oriented philosophy and our compensation is performance-driven, emphasizing and recognizing the contributions that individual employees make to the organization. It accentuates performance-based pay, incentives, and shared responsibility for benefits. The basic objective of remuneration policy is to:

- a) be compatible with the organization's Brand Purpose and Value.
- b) be externally & internally equitable.
- c) ensure relationship of remuneration to performance is clear and meets appropriate performance benchmarks
- d) provide to Key Management Persons, Senior Management and other employees rewards linked directly to their effort, performance, dedication and achievement relating to the Company's operations and shall not encourage Key Managerial Persons to take inappropriate or excessive risks for their performance based variable remuneration.
- e) retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

### **2.2 Remuneration & Reward Policies**

Remuneration aims to motivate personnel to deliver Company's Key strategies, create a strong performance-oriented environment and reward achievement of meaningful targets over the short and long term.

### **2.3 Remuneration of Non-Executive Directors**

- Non-Executive Directors are entitled to receive the sitting fees and reimbursement of their expenses for participating in the Board and other meetings, subject to compliance with the provisions of Companies Act, 2013.
- The NRC will recommend the remuneration to be paid to the Non-Executive Directors (NED) and Independent Directors (ID) to the Board for their approval.
- Remuneration shall be limited to maximum limits specified under the IRDAI Regulations and Master Circular, Companies Act, 2013 and SEBI Regulations.
- NEDs/IDs are not eligible for any equity linked benefits of the company as prohibited under the IRDAI Regulations and Master Circular.

## 2.4 Remuneration of KMPs on deputation from SBI

- The remuneration of the Managing Director & CEO and other KMPs on deputation from SBI is governed by SBI Officers Services Rules and is being reimbursed by the Company to State Bank of India (SBI).
- Revision in Remuneration of the Managing Director will be reviewed by Board Nomination and Remuneration Committee and recommended to the Board for approval. Revision in remuneration of MD & CEO is subject to approval of IRDAI.
- Revision in Remuneration of Key Management Persons on Deputation from SBI shall be governed by SBI Officers' service rules.

## 2.5 Remuneration Structure of KMPs

- The remuneration structure shall be the aggregate of Fixed Pay (including monetary and non-monetary perquisites) and Variable Pay.
  - A. **Fixed Pay:** Fixed pay of the remuneration shall be reasonable taking into all relevant factors and will consist of elements like Basic Salary, Allowances, Perquisites as defined under the Income-tax Act, 1961, contribution towards retirals and all other fixed items of compensation. It will also include the component of Special Compensatory Allowance, however, the same will not be considered for calculation of components such as Basic Pay, Variable Pay, ESOP, Superannuation / Terminal benefits, etc.
  - B. **Variable Pay:** It includes incentives, bonus, share linked instruments etc. given basis performance and includes measures of individual, unit or group performance. Performance based incentives shall be aligned with long term value creation and time horizon of risks to which company may be exposed to.
    - i. **Composition of Variable Pay**
      - Variable pay shall comprise of cash and share linked instruments. Any variable pay or performance incentive shall be paid to any KMP only once during a financial year.
      - Share Linked Instruments shall be in the form of Stock Options or any other instrument where the settlement, on vesting/exercise, happens in the form of shares.
      - Company shall ensure that there is a proper balance between Fixed Pay and Variable Pay.
      - KMPs of the Company shall not be issued/granted sweat equity shares.

Internal

**ii. Limits of Variable Pay**

- At least 50% of fixed pay, or any other limit as mentioned in the regulations or amended from time-to-time, will be variable and paid based on individual, business-unit, and Company performance. The total variable pay shall not exceed 300% of the fixed pay, or any other limit as mentioned in the regulations or amended from time-to-time.
- In case the variable pay is up to 200% of the fixed pay, a minimum of 50% of the variable pay and in case the variable pay is above 200%, a minimum of 70% of the variable pay shall be via share linked instruments.
- In case of share linked instruments, the total number of stock options issued, granted, vested or outstanding at any point of time shall not exceed 5% of the paid-up capital of the Company.
- The value of the share linked instrument shall be determined basis fair value of the Stock Options as on the date of grant.

**iii. Key Performance Indicators**

- Variable Pay shall be in the form of “pay at risk”. Depending on performance and risk outcomes at individual and company-wide level, the quantum of Variable Pay shall change and can even be reduced to zero.
- The minimum parameters which shall be taken into account, as per the Regulations and Master Circular, for performance assessment of all KMPs for payment of Variable Pay shall be:
  - Overall financial soundness such as Net Worth position, solvency, growth in AUM, Net Profit (PAT), Embedded Value, Value of New Business including any other indicator that reflects the overall financial soundness
  - Compliance with Expenses of Management Regulations
  - Claim efficiency in terms of settlement and outstanding
  - Improvement in grievance redressal status/ position
  - Reduction in Unclaimed Amounts of policyholders
  - Persistency 37<sup>th</sup> Month to 61<sup>st</sup> Month
  - Overall Compliance status w.r.t. all applicable laws
  - Any such other parameter suggested by NRC.
- The KPIs mentioned above shall have 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.

**Internal**

- Apart from the performance assessment for payment of variable pay, these parameters shall also form the basis for revision of the Fixed Pay.

**iv. Deferral of Variable Pay**

- A minimum of 50% of the total variable pay must invariably be under deferral arrangement.
- The deferral period would be minimum of three years. In case of Share Linked Instrument, the actual deferral period shall be governed by the relevant rules of Share Linked Plan which will be approved by the Board and Shareholders. The first vesting shall accrue after one year from the commencement of the deferral period. Vesting shall be no fast than on a pro rata basis and shall not take place more frequently than on a year basis.
- In case where total Variable Pay is under INR 25 Lakhs, deferral arrangement may not be necessary.
- Upon resignation/retirement/death of the employee before the deferred Variable Pay dates, payout of deferred amounts will be as per employment contract and the Share Linked instrument plan rules. In case of re-appointment after 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 of employment on account of fraud/criminal offences, etc. or as per directives of court/tribunal/other competent authorities the deferred pay shall be forfeited

- C. **Guaranteed Bonus:** No amount of bonus shall be Guaranteed to any KMP except for joining/sign-on bonus. Joining / Sign on bonus shall be given only for new hiring and shall be limited to first year of employment. It can be in the form of cash or Share Linked Instrument. Such bonus will neither be considered as a part of fixed pay nor as a part of variable pay.
- D. **Severance Pay:** The Company will not grant severance pay other than accrued benefits like gratuity, pension etc. to KMPs except in cases where it is mandatory by statute.
- E. In case the annual remuneration of any KMP exceeds Rs. 4 crores (including all perquisites plus bonuses etc.), such excess shall be borne by the shareholders and debited to Profit and Loss Account
- F. **Malus & Clawback Arrangement:** The deferred variable pay in a year shall be subject to:

**Internal**



- **Malus arrangement** wherein in case of subdued or negative financial performance attributable to actions or inactions taken by the KMP(s), the Company may withhold cash bonus or vesting of share-linked payment and may lapse unvested share-linked payments in accordance with the share-linked Plan (ESOP).
- **Clawback arrangement** wherein in case of gross negligence or misconduct or cause as defined in the Company's code of conduct, the KMP shall be liable to return previously paid or vested variable pay.
- The norms of claw back shall be decided by the Nomination & Remuneration Committee of the Board based on actual/realized performance of the year of the Individual and / or Company, legal enforceability, and verifiable measures of risk outcomes.
- The NRC may invoke Malus and / or Clawback clause with respect to the KMPs in the following illustrative scenarios:
  - a. Negative trend in overall performance of the company in comparison with private life insurance industry over a continuous period (of 3 years)
  - b. Gross negligence, integrity breach, Reckless, or deliberate actions. Errors of judgment shall not be construed to be breaches under this note.
  - c. Material Misstatement in the company's financials
  - d. Material Fraud that requires financial restatements
  - e. Poor compliance in respect of corporate governance and regulatory matters
  - f. Any other situation where the Board and the NRC deems invoking Malus and/or Clawback provision is necessary and justified.
- While determining the causes for Negative trend in the above defined minimum KPIs, NRC may take into consideration and have due regard to the fact whether the deterioration was for factors within control the KMP(s) or whether it was on account of external factors like global market headwinds, industry performance, changes in legal/regulatory regime, force majeure events like occurrence of natural disasters, pandemic, other socio-economic conditions etc or any factors not within the control of KMP(s).
- While undertaking the review for the concerned person for the application of the Malus or the Clawback arrangement based on any trigger events, when determining accountability of the concerned person or group of persons, the NRC shall be guided by the principles of proportionality, culpability or proximity or nexus to the event or misconduct. Bonafide error/s of judgment where there is no misconduct, wilful or intentional breach by act/ omission or gross negligence or lack of integrity, may not be treated as breaches under this Policy.
- Prior to taking action the Management and the NRC shall ensure due regard to the Principles of Natural Justice.

Internal

- Unless otherwise specified, the time horizon for the applicability of malus/clawback clause shall be upto Three years or the deferral period of the variable pay, whichever is higher, from the date of grant in case of share linked instrument and date of payment in case of cash bonus.
- On deciding to invoke Malus or Clawback, NRC will have power to take any of the following action basis the nature and severity of trigger
- **In case of Malus Clause:**
  - i. Cancel part or full vesting of the deferred cash or share linked component due for vesting in that particular year
  - ii. Cancel part or full vesting of entire unvested deferred cash or share linked component which are to be vested in future years
- **In case of Clawback Clause:**
  - i. Recovery of part or full cash component of deferred variable pay paid over the applicable period
  - ii. Recovery of part or full benefit (in form of shares or cash equivalent of shares) accrued to the employee on account of exercise of share linked instrument
  - iii. Forfeiture of part or full vested but unexercised share linked instrument vested during the applicable period
- Revision in Remuneration of Key Management Persons will be in accordance with the policies approved by the Board / NRC.

## 2.6 Remuneration Structure of all other employees

- The remuneration structure shall be the aggregate of Fixed Pay (including monetary and non-monetary perquisites) and Variable Pay.
  - A. **Fixed Pay:** Fixed pay of the remuneration shall be reasonable taking into all relevant factors and will consist of elements like Basic Salary, Allowances, Perquisites as defined under the Income-tax Act, 1961, contribution towards retires and all other fixed items of compensation
  - B. **Variable Pay:** It includes incentives, bonus, share linked instruments etc. given basis performance and includes measures of individual, unit or group performance. Performance based incentives shall be aligned with long term value creation and time horizon of risks to which company may be exposed to.
- Revision in remuneration will be with approval of the Managing Director & CEO and governed by the HR policies of the Company

Internal

## 2.7 Process

- In order to ascertain our pay competitiveness compared to our peers in the Life Insurance Industry, we participate in compensation surveys. Based on our compensation philosophy we try to match the market in terms of Pay and benefits. This exercise not only helps us to review the compensation paid to performing employees at SBI Life but also helps us in attracting right talent from our peers.
- The annual increment and variable pay policy is based on merit pay philosophy. The performance linked incentive is based on both individual as well as Company's performance. Various performance parameters for the Company including the KPIs as mentioned in Point 2.5 (B) (iii) are reviewed by the Board Nomination and Remuneration Committee and approved by the Board at the beginning of every year.
- Based on the pre-defined parameters the actual performance of the company is reviewed by the Board Nomination and Remuneration Committee to award a performance rating. The company performance rating is approved by the Board based on the recommendations of the Board Nomination and Remuneration Committee at the end of every financial year. The framework of annual increment and performance linked Variable Pay for all SBI Life employees is also reviewed by the Board Nomination and Remuneration Committee and approved by the Board every year.
- Eligible employees of the Company may be granted ESOPs in accordance with the provisions SEBI (Share Based Employee Benefit and Sweat Equity) Regulations, 2021 and ESOP schemes of Company.
- The age of superannuation shall be 60 years. The employee will be relieved on the last working day of the month in which he/she attains the age of 60 years. If employee's date of birth is 1<sup>st</sup> of the Month, then date of superannuation will be last working day of the previous month. The employee retiring on superannuation will be eligible for variable pay (cash component) on a pro-rata basis, provided he/she has completed at least 3 months of service during the financial year. Also, in case of death of an employee during the financial year, he/she will be considered eligible for variable pay (cash component) on pro-rata basis, provided he/she had completed at least 3 months of service during the financial year.

## 2.8 Disclosures in the Annual Report

- Required disclosures in relation to Directors/ KMPs/ Senior Management and other employees' compensation/ remuneration (including ESOPs) shall be made in the Annual Report / Financials etc. in line with the relevant provisions of the Companies Act, 2013, the Rules made there under, IRDAI Guidelines and the SEBI Listing Regulations.

### 3. Reporting

Respective department is responsible for reporting as per applicable regulations. The reporting should be as per the format/ template prescribed in applicable regulation, wherever available.

### 4. Record Keeping

All documents shall be preserved for a period as specified in the applicable regulations and as per Board Approved Record Maintenance and Document Retention Policy.

### 5. Appendices

#### 5.1 Definition:

- a) Board: Board means Board of Directors of the Company
- b) Clawback: Clawback means a contractual agreement between the employee and the Company in which the employee agrees to return previously paid or vested remuneration to the Company under certain circumstances
- c) Director: Director means a director appointed to the Board of the Company
- d) Fixed Pay: Fixed Pay includes Basic Pay, allowances, perquisites (as defined under the Income-Tax Act, 1961), contribution towards superannuation / retirement benefits and all other fixed items of compensation
- e) Independent Director (ID): ID means a director referred to in Section 149(6) of the Companies Act read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
- f) Key Management Person – “Key Management Person” mean members of the core management team of the Company including all whole-time directors / Managing Directors / CEO and functional heads one level below the MD / CEO, including the Chief Financial Officer, Appointed Actuary, Chief Investment Officer, Chief Risk Officer, Compliance Officer and the Company Secretary.
- g) Malus: Malus means an arrangement that permits the Company to prevent vesting of all or part of the amount of a deferred remuneration. Malus arrangement does not reverse vesting after it has already occurred.
- h) Nomination and Remuneration Committee (NRC): NRC means Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Companies Act, 2013 and SEBI Regulations.
- i) Remuneration: Any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-tax Act, 1961.
- j) Risk and Control functions: Risk and Control functions means Risk, Audit and Compliance verticals and/or any other similar functions of the Company.
- k) Share Linked Instruments: Share Linked Instruments in relation to remuneration of KMP shall mean (i) employee stock option schemes; ii) employee stock purchase schemes; (iii) stock appreciation rights schemes; and (iv) Any other Long Term Incentive plan where the settlement is through Shares of the Company

Internal

- l) Variable Pay: Variable Pay includes cash bonus/incentive and/or Share Linked Instruments given basis performance and includes measures of individual, unit, or group performance. This is financial compensation over and above the fixed pay.